Public Utilities

Volume 63 No. 6 March 12, 1959

THE RAILROAD PASSENGER BUSINESS: ITS ILLS AND REMEDIES
By William J. McKenna

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Electric Rates, Bills, and Public Relations
Part II.
By Robb M. Winsborough

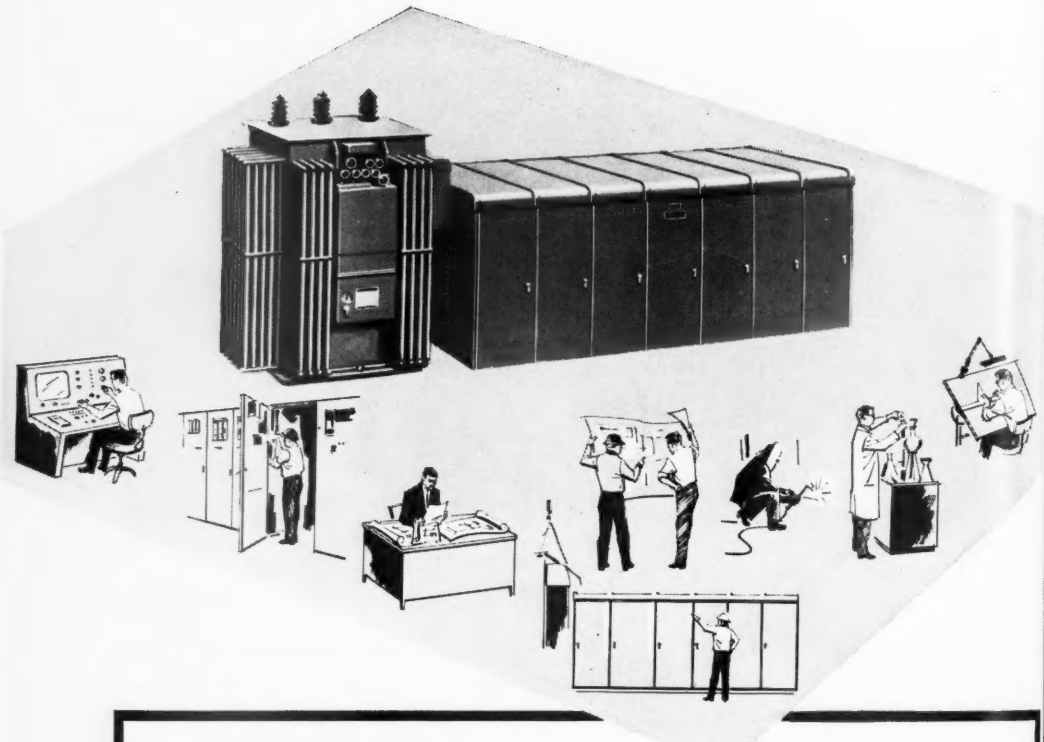
« »

Gas Really Has a Hard Sell
By James H. Collins

« »

British Nationalization under an Expert's Glass

Packaged unit substations mean packaged skills



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Public Utilities
FORTNIGHTLY

VOLUME 63 MARCH 12, 1959 NUMBER 6

ARTICLES

The Railroad Passenger Business: Its Ills and Remedies ..... *William J. McKenna* 361

A study of the ills and remedies of the railroad passenger business, with some constructive suggestions as to what might be done to save what is left.

Electric Rates, Bills, and Public Relations. Part II. ..... *Robb M. Winsborough* 371

A down-to-earth pattern of operation for the public relations man who is charged with responsibility of preparing the soil and cultivating a favorable public opinion, both before and after the filing of a rate increase.

Gas Really Has a Hard Sell ..... *James H. Collins* 379

The author gives us his ideas about the future of gas service at the merchandising or appliance level.

FEATURE SECTIONS

Washington and the Utilities 390

Telephone and Telegraph 394

Financial News and Comment ..... *Owen Ely* 398

What Others Think 407

British Nationalization under an Expert's Glass 407
The Professor and the Commissions 411

The March of Events 413

Progress of Regulation 417

Industrial Progress 21

• *Pages with the Editors* . 6 • *Utilities Almanack* 17
• *Coming in the Next Issue* 10 • *Frontispiece* 18
• *Remarkable Remarks* .. 12 • *Index to Advertisers* .. 36

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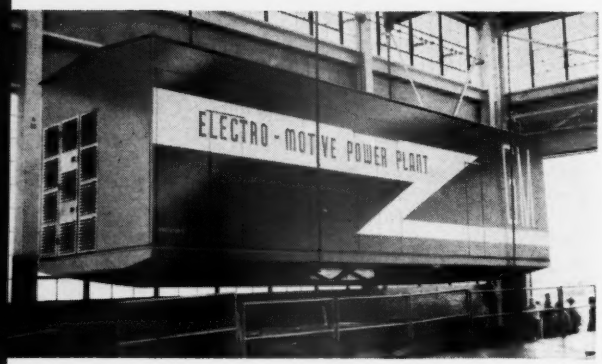

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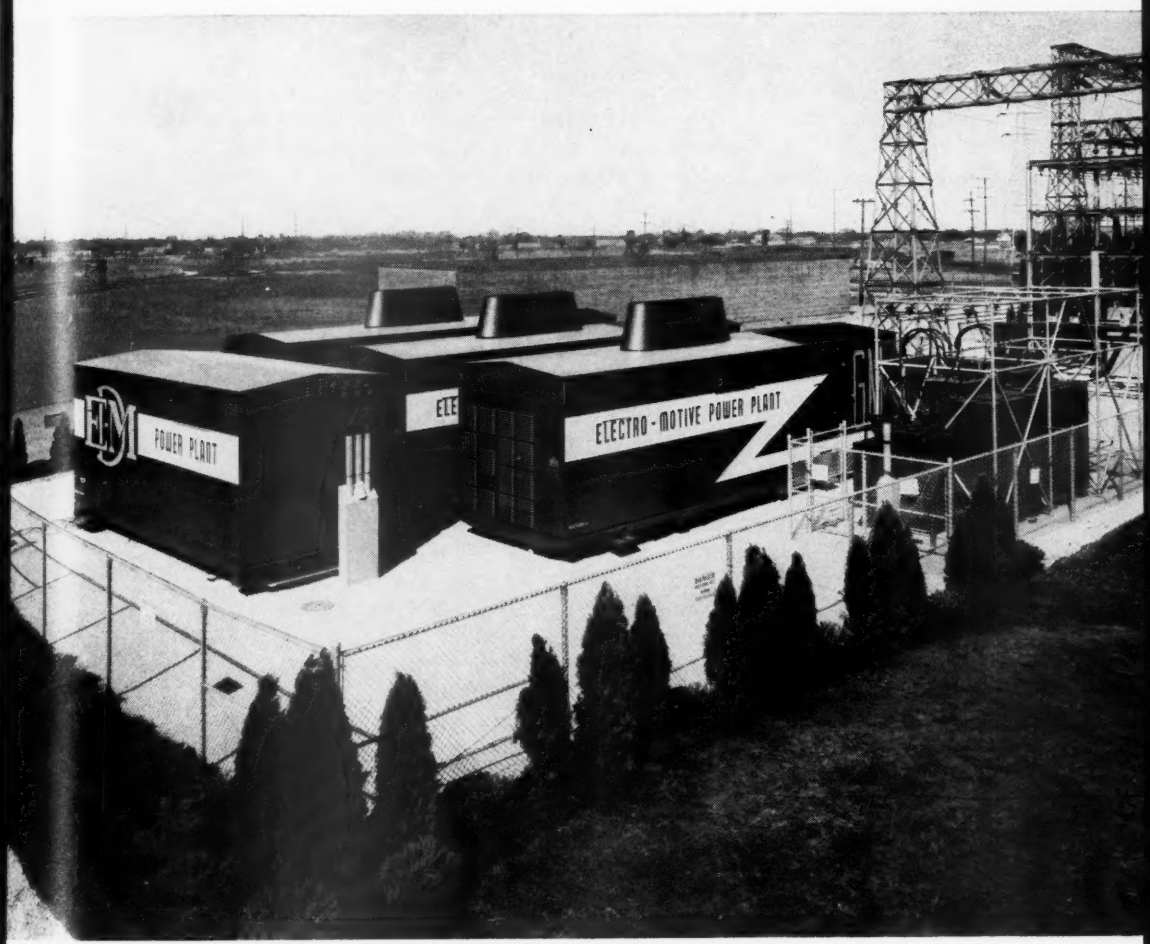

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Pages with the Editors

BOTH railroad management and railroad labor have expressed growing concern over the recent gloomy prediction of Howard Hosmer, an examiner for the Interstate Commerce Commission, about the future of railroad passenger service. They have every right to be. Mr. Hosmer said that "in another decade or so" railroad passenger service would be all gone.

IT could be that Examiner Hosmer's projection angle of the decline in railroad passenger service is unduly pessimistic. But in the light of recent actual developments, most of the dissenting argument would have to be directed to Hosmer's timetable rather than his ultimate conclusion. It is a fact that certain eastern lines already have moved to abandon considerable portions of their passenger service. Within the past year, for example, the Baltimore & Ohio suspended all passenger trains between Washington, D. C., and New York, and the Lehigh Valley is discontinuing passenger service altogether.

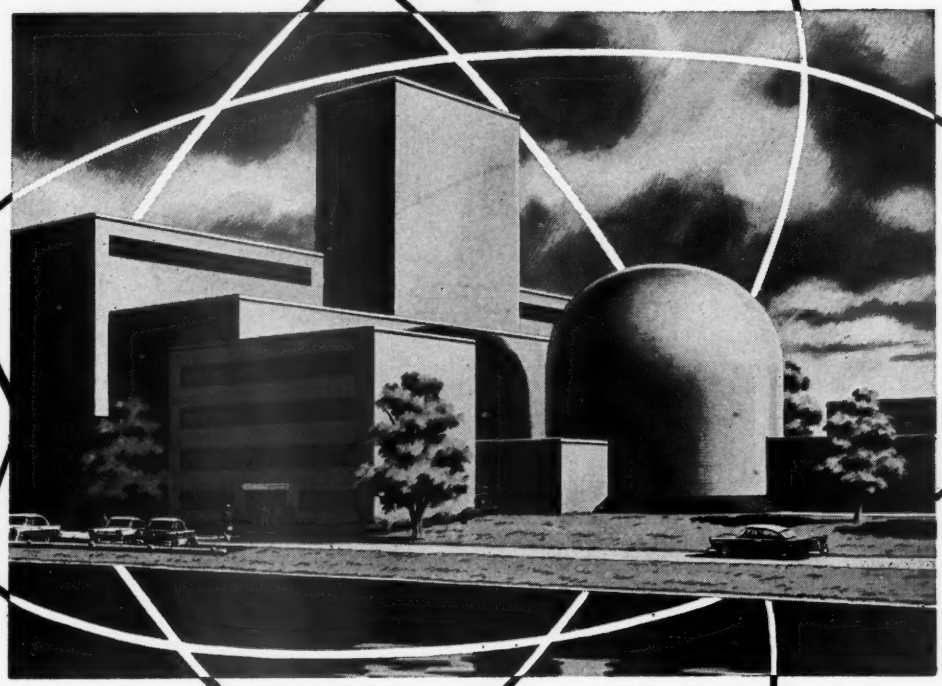
INCREASING labor costs (mentioned by Hosmer), as well as automobile and airline competition, have made the rails disposed to get out of the business of carrying passengers. And the main reason behind this decision is money. The railroads have been losing heavily on passenger trains. Operating costs have become higher than passenger income and regulation is no help, nor much of a hindrance, in the present situation.

WILLIAM J. MCKENNA

IF the railroads were allowed to fix their own fares without any regulatory restrictions, they could not show a profit on this kind of business and they know it. If there were any money to be made by the railroad management in continuing or expanding passenger operations, they would not have to be told by the labor unions or anyone else to stay in the passenger transportation business. They would be way out ahead of any advice from such outside sources. It is because passenger service has become too expensive to bother with, therefore, that the railroads are voluntarily giving it up, piecemeal and gradually perhaps, but definitely in the direction of ultimate abandonment.

BUT there are other and numerically larger classes of people in the United States (than labor and management) who have a stake in this important decision. They are the people who, for their own good reasons, *prefer* to ride on trains rather than in automobiles or airplanes. What is going to happen to them in the years to come? They cannot be brushed off as a group of elderly or eccentric people who will eventually die out or get lost. There are considerable numbers of comparatively youthful and well-adjusted American citizens who like to ride around the country in trains in order to see it instead of flying over it. We cannot imagine this great legion of citizenry taking any decision to do away with the passenger train without putting up a scrap.

WHAT can be done? The alternatives are both varied and vague. The inevitable suggestion of government ownership is



ENRICO FERMI ATOMIC POWER PLANT

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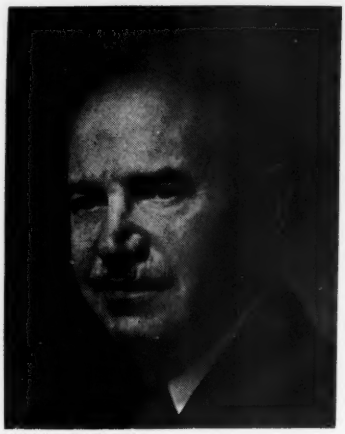
not getting much of a play in these days of government deficits and back-breaking burdens for the taxpayers. Even public ownership advocates are more interested in acquiring profitable business operations, such as the electric utilities, than pocketbook cancers, such as the railroad passenger business seems to have produced. The next alternative is subsidy in various forms—tax remission, consolidation, and more efficient and economical operations.

We find it hard to visualize ten or even twenty years from now, a nation in which the railroads would be reduced entirely to the status of diesel or electrically operated beasts of burden. Think of the changes in our cities such a cessation of passenger service would mean—the elimination of all railroad stations and passenger terminals, the increase in alternative bus transportation. Not only the physical appearance but the memories and customs of both large and small communities would inevitably be changed drastically. Perhaps it will all be for the best and there will be unforeseen compensations. But somehow we cannot help but wonder.

The opening article in this issue comes to grips with this problem of progressive abandonment of railroad passenger service. It deals with the impact on broad public interests and on other utility services, particularly in the transportation service. The author is Dr. William J. McKenna, assistant professor of economics, Temple University, Philadelphia, Pennsylvania. Dr. McKenna was educated at the University of Pennsylvania (BS, '36; MS, '38; PhD, '51). Aside from U. S. Army service, during World War II, his career has been in the field of teaching on the Temple University faculty. He has also testified on transportation matters before the Pennsylvania Public Utility Commission, and has written articles on the subject of public transportation in various professional periodicals.

* * * *

In this issue (beginning page 371) is the second instalment of the two-part series by Robb M. Winsborough, who is vice president, director, and one of the



©*Fabian Bachrach*
ROBB M. WINSBOROUGH

owners of the Middle West Service Company of Chicago. Mr. Winsborough's biographical sketch appeared in this department in our preceding issue. In this instalment, he rejects the inevitability of electric rate increases on an increasing scale because of continued inflationary conditions. Mr. Winsborough is a realist, however. He recognizes that few if any public utility companies are able to make rate increases popular. No company, however excellent its public relations with its customers, can expect them to throw their hats in the air and cheer over the announcement of a rate increase. But there are ways and means for making these increases appear more acceptable and reasonable from the customer's point of view.

* * * *

The third feature article in this issue (beginning page 379) deals with marketing problems which lie ahead for the gas utility industry. It comes to us from the genial pen of our frequent and valued contributor, James H. Collins of Washington, D. C. Mr. Collins conducted his own one-man survey and gives us the results in his own entertaining fashion. He gives us his ideas about the future of gas at the merchandising or appliance level.

The next number of this magazine will be out March 26th.

The Editors

Takes the shop to the job!

A ready-to-roll workshop on wheels . . . that's this versatile Dodge Tradesman, and it puts to use every available inch of space.

There's pick-up load space aplenty, with a lockable sliding roof to protect whatever you carry. Lock-up compartments for weatherproof storage of tools, fittings and supplies. Even a handy workbench . . . when you swing down the horizontal compartment doors. Ladder racks available.

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Coming IN THE NEXT ISSUE

(March 26, 1959, issue)

★

COAL BY WIRE

High transmission of electricity, that is to say, 230 kilovolts and above, is a comparatively recent development. But with constant accumulating world-wide experience, it is moving forward in the principal industrial countries of the world and fast gathering momentum. So-called "giant power" proposals of nearly a half-century ago—for making power at the mouth of coal mines and sending it into our large cities instead of shipping the coal—were not found practical for various reasons. Lack of condensing water and line losses were the two main bugaboos. But with the increasing concern over city smog caused in part by coal smoke, however well arrested, the idea of sending "coal by wire" has taken on a new attraction. There is also the rising cost of coal freight to be considered. In this article, A. W. Vogtle, vice president in charge of sales and traffic, DeBardeleben Coal Corporation, Birmingham, Alabama, has written an entertaining outline of the modern potentialities of coal mine area generation in connection with high-line transmission.

A STATE COMMISSION QUIZ ON ACCELERATED DEPRECIATION

The depreciation practices of public utilities are a subject which has certainly been well harrowed through the years in both regulatory and tax literature. But the more recent controversy over the treatment of accelerated tax depreciation, when taken by public utilities, from the standpoint of both accounting and rate making, has supplied new fuel for a long-smoldering fire. Myron H. Ross, assistant professor, department of economics of Knox College, has taken a rather original approach to this subject. He has informally canvassed the state commissions themselves through a questionnaire sent out in December, 1957. He got 41 replies from 48 states. The result is a thoughtful compendium of how the state commissions really feel about accelerated tax depreciation for public utilities.

PRODUCER AND GAS PIPELINE YARDSTICKS

For the past decade a controversy has raged in Congress over legislation designed to abolish or at least curtail the extent of Federal Power Commission jurisdiction over natural gas producers. Twice vetoed, such legislation failed even to obtain committee action in the 85th Congress. And there is the general impression that the latest bill along these lines, introduced in the 86th Congress by Representative Oren Harris (Democrat, Arkansas), will meet the same fate. But while public attention was being distracted by these successive defeats or repulses of bills ostensibly designed to free the gas producers from regulatory controls, the fact is that the price of natural gas has been increasing at both ends of the pipelines. In this article, frankly written from the viewpoint of the gas utility distributor and its customers, Arthur K. Lee, chairman of the board of United Cities Gas Company, raises the provocative question as to whether the gas consumers have really only won four battles and lost the war. His analysis proposes practical steps which might be taken by way of amendment to the Natural Gas Act to make the regulation of gas producers workable.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***

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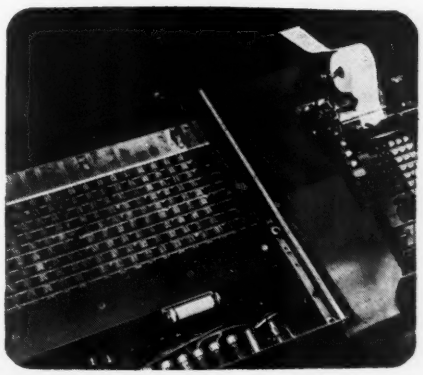

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Remarkable Remarks

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THOMAS NIXON CARVER
Columnist.

"When men compete for the consumer dollar, the consumer generally gets his money's worth. When they compete for the voter's vote, the voter seldom knows what he gets for his vote—unless it is a bribe."

RICHARD G. WOODBRIDGE
Vice president, New York Life Insurance Company.

"Successful investing is not a cut-and-dried mathematical procedure. It is far from a science. If it can be characterized at all, it might be thought of as half science, half art. The mechanical and arithmetical aspects are well known. It is success in the area of evaluating the intangibles, of looking into a cloudy future or judging people and personalities, that mark the successful investment person."

EDITORIAL STATEMENT
The Wall Street Journal.

"For the American system to function effectively, politics must be the continuing business not only of politicians but of politicians in office. In one sense politics is just the give-and-take of compromise and accommodation that we all go through every day—only transferred to the level of public policy as it is shaped within the Executive and in the relations between the Executive and Congress."

JOHN S. PROCTOR
President, Imperial Bank of Canada.

"Should future booms develop the intensity of the 1955-56 [economy], price increases are bound to be the rule unless all sections of the nation—government, private business, labor unions, farmers, and consumers —recognize the necessity for joint anti-inflationary action. A general determination to keep prices stable can succeed; but neither the monetary authorities nor the government alone can beat this menace."

BENJAMIN F. FAIRLESS
President, American Iron & Steel Institute.

"What is required is a dynamic tax program that keeps federal revenues up, not by taking away the incentives and means of new enterprise, but by steadily increasing the tax base from business expansion. New jobs can come into being only when dollars—billions of dollars—are invested into new tools and new capacity for production. Tax codes today are making it increasingly difficult to finance new tools and new capacities."

MAURICE STANS
Director, Bureau of the Budget.

"Why is it that some business leaders join taxpayers' organizations to bring pressure on the government to cut expenses, yet support industry groups seeking more government subsidies? Why is it that some labor leaders press hard for wage increases to keep up with the cost of living, and then urge a massive program of legislative action which, if adopted, would lead to more deficit spending, higher taxes, and inflation—all of which could only demoralize the value of wages earned?"

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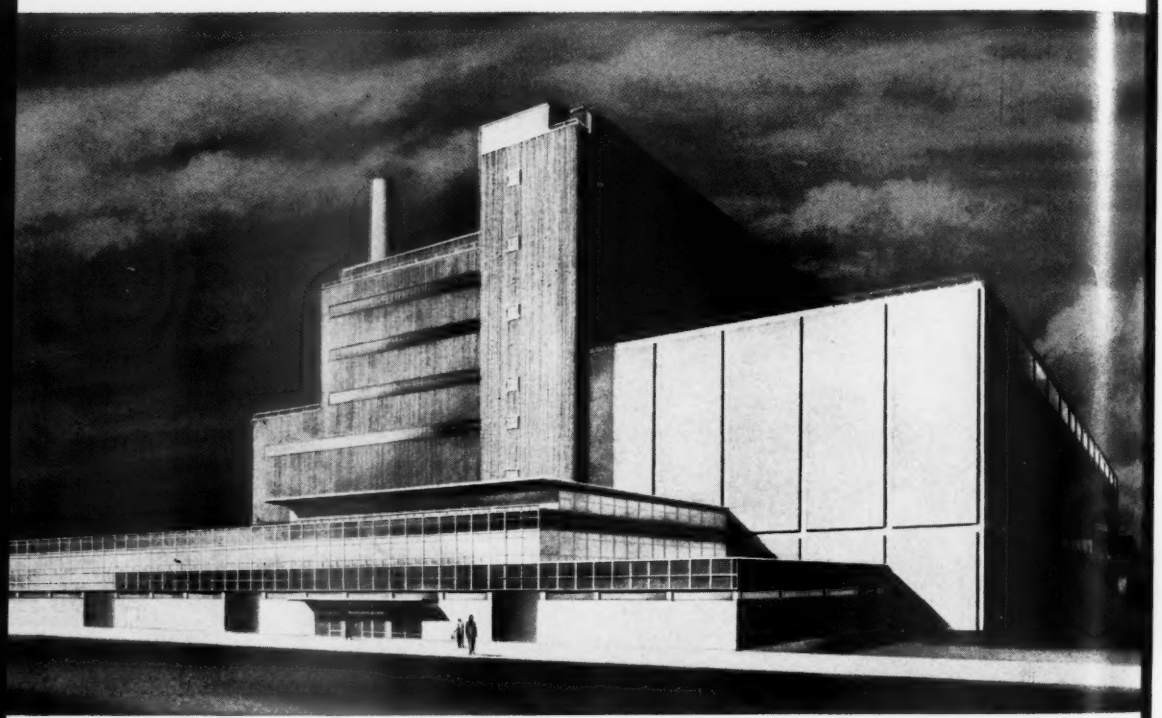

High point of steam power progress in 1959

Now nearing completion, and scheduled for service this year, is the Eddystone Plant of Philadelphia Electric Company, which is expected to establish new standards of steam power efficiency. The initial boiler is a C-E Sulzer Monotube Steam Generator, designed to deliver steam at 5000 psi throttle pressure and 1200 F—the highest steam conditions adopted to date. It will serve a 325,000-kw turbine-generator.

COMBUSTION E

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LL TYPES OF STEAM GENERATING, FUEL BURNING AND RELATED EQUIPMENT; NUCLEAR REA TORS; R MI

trends revealed

by C-E Boilers placed in service in 1958

A significant milestone in electric utility history was reached last year when privately-owned generating capacity passed *100,000,000* kilowatts. This happened on May 11 when the C-E-powered, 75,000-kw unit at Station No. 4, Tucson Gas, Electric Light and Power Company, went on the line.

Last year also witnessed important progress in the economy of power generation as reflected in the trends toward higher steam pressures and unit capacities. These trends are impressively revealed by the following data of C-E Boiler installations – representing a total capacity of more than 5,000,000 kw – placed in service in 1958.

TREND TO 2400 PSI

The growing trend to 2400 psi throttle pressure was highlighted by the fact that 9 C-E Boilers in this pressure range went on the line during the year. These units alone account for *1,424,000 kw*. All but two of them are of the controlled circulation design; the two exceptions are C-E Sulzer Monotube Steam Generators.

TREND TO BIG UNITS

The previously-indicated trend to really big units began to make itself felt. Two of the C-E Boilers installed in 1958 serve turbine-generators of 325,000-kw capacity, and four additional units for this capacity are on order. Also on order are two larger units – one for 340,000 kw and one for 500,000 kw. Two of the six 325,000-kw units are C-E Sulzer Boilers for *supercritical* pressures.

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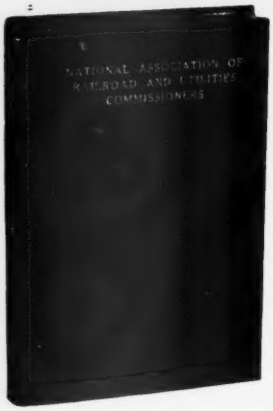

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AT PHOENIX, ARIZONA

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NOTE: ***1958 Revised Uniform System of Accounts for Electric and Gas Utilities are in the process of being printed and will be available about May 1, 1959.***

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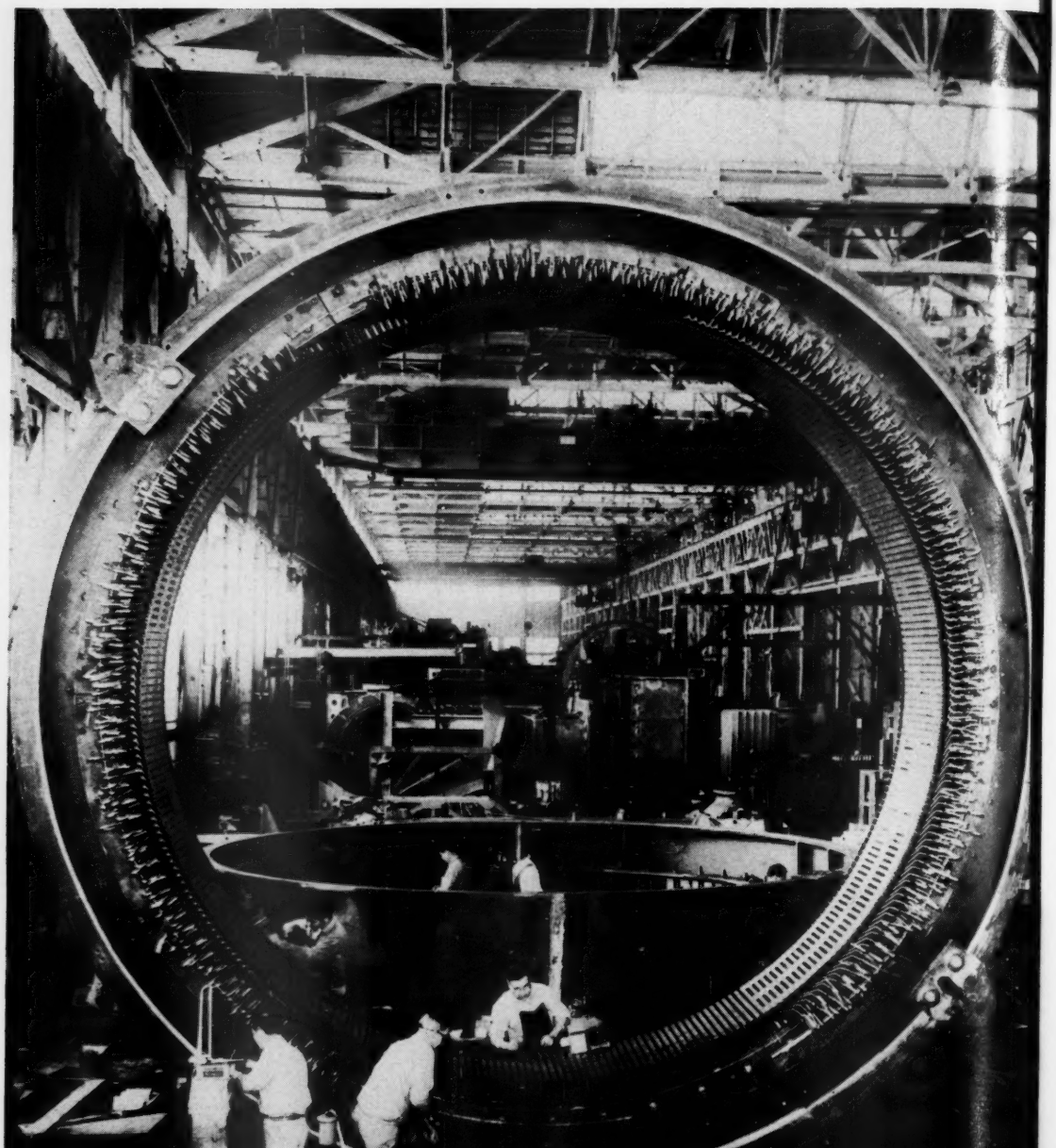
UTILITIES *A·l·m·a·n·a·c·k*

MARCH

Thursday—12 *Electrical Manufacturers Exposition ends, Columbus, Ohio.*	**Friday—13** *American Bar Association ends three-day regional meeting, Pittsburgh, Pa.*	**Saturday—14** *Pacific Coast Electrical Association will hold engineering and operating conference, Long Beach, Cal. Mar. 30, 31.* ***Advance notice.***	**Sunday—15** *National Association of Broadcasters begins annual convention, Chicago, Ill.*
Monday—16 *National Association of Corrosion Engineers begins meeting, Chicago, Ill.*	**Tuesday—17** *Eighth Electrical Engineers Exhibition begins, London, England.*	**Wednesday—18** *New England Home Show begins, Boston, Mass.*	**Thursday—19** *New England Gas Association begins annual meeting, Boston, Mass.*
Friday—20 *American Society for Metals ends western metal exposition and congress, Los Angeles, Cal.*	**Saturday—21** *American Power Conference will be held, Chicago, Ill. Mar. 31-Apr. 2.* ***Advance notice.***	**Sunday—22** *Canadian Gas Association will hold eastern sales and promotion workshop, Montreal, Quebec, Canada. Apr. 1.* ***Advance notice.***	**Monday—23** *Institute of Radio Engineers begins national convention, New York, N. Y.*
Tuesday—24 *Pacific Coast Gas Association begins residential and nonresidential sales and advertising conference, Sacramento, Cal.*	**Wednesday—25** *Southeastern Electric Exchange ends three-day annual conference, Boca Raton, Fla.*	**Thursday—26** *Oklahoma Utilities Association begins annual convention, Tulsa, Okla.*	**Friday—27** *Gas Appliance Manufacturers Association will hold annual meeting, Bal Harbour, Fla. Apr. 1-3.* ***Advance notice.***



Courtesy, Westinghouse Electric Corporation

Building 59-ton Generator Stator

This electrical giant is destined for a 235-ton, 19,200-kilowatt hydroelectric generator. It is being built for Portland General Electric Company in Oregon.

Public Utilities
FORTNIGHTLY

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The Railroad Passenger Business:
Its Ills and Remedies

By WILLIAM J. McKENNA*

Reversing the downward trend of the rails' passenger business may not be possible, but certain steps, if taken, could materially reduce the enormous deficits under which the industry is laboring. Among them are: revising rate regulation, providing bigger mail payments, repealing the 10 per cent excise tax on fares, eliminating featherbedding, and some thought given to a general subsidy program.

THE number one problem of the railroad industry today is the passenger problem. Since the end of World War II, the railroad passenger business has experienced a severe depression in the midst of an unprecedented prosperity for the national economy as a whole. With the exception of the four war years of 1942 to 1945, the railroad passenger business has been a deficit operation for almost a generation. The deficit of the railroad passenger service has increased from $233.3 million in 1936 to $723.5 million in 1957. This loss has increased in 1958. Although the total passenger service revenue has increased from $627.7 million in

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1936 to $1,238.1 million in 1957, the operating expenses, taxes, and net rents of the passenger service have increased from $861 million in 1936 to $1,961.8 million in 1957.

This condition is not a temporary one. It stems from a fundamental change in the character of the railroad passenger business. Factors which have contributed to this loss include a rigid policy toward passenger rates by state and federal regulatory authorities, excessive taxation on the state and local level, rapidly increasing labor and material costs, subsidized rate structure of railroad passenger competitors, and an unrealistic state and local policy toward the curtailment of passenger services or abandonment of noncompensatory passenger facilities.

Nature of Railroad Passenger Business

THERE the six aspects of the railroad passenger problem which merit discussion. These are: (1) commutation; (2) noncommutation; (3) dining, sleeping, and parlor cars; (4) mail; (5) express; and (6) baggage.

The time has come for a careful reappraisal of the railroad passenger problem in the light of the persistent deficit character of this service. In spite of a soaring increase in the national population to 175 million in 1958, there has been an absolute decline in railroad passenger business. Outside of the World War II years, the passenger business has operated at a deficit in every year since 1930. At the present rate the total passenger deficit may well exceed $1 billion in five years—for there is no indication that labor, material costs, and other costs will not increase year by year. Nor is there any indication that the downward trend in the passenger business will be reversed in the years ahead. Total travel by airplane, helicopter, and the private automobile will grow, but this only aggravates the railroad passenger problem.

At the present time, the railroads subsidize their passenger loss by their freight business—which also faces an increasing competition with motor and water freight.

Railroad Passenger Problem

THE railroad passenger problem must be faced squarely. It can no longer be postponed on the nebulous hope that "things will get better"; they will not. Remedies must be sought, no matter how painful. A discussion of these possible remedies includes:

1. COMMUTER RATE POLICY: In the early decades of rapid growth of railroad mileage the railroads adopted a low-incentive rate for commutation service. This rate policy was in keeping with sound economic policy at the time of its introduction. The railroad mileage was used jointly by commutation traffic, intercity passenger traffic, and freight. The attraction of additional commutation traffic contributed to total revenue and resulted in a more efficient use of facilities. With a growth of the commutation business it would have been a logical policy for the railroads to have increased the commutation fare in line with the increasing cost of the service and overall revenue needs of the service.

However, in the meantime a rigid philosophy of regulation on the federal and state level had replaced the flexible power of the railroads to determine their own rates in accordance with the economic realities of the time. Instead of these regu-

latory agencies giving consideration to the nature and the purpose of low incentive-type commutation rates, they adopted as a permanent principle, the concept that commutation rates should be lower than the basic fare. In other words, these regulatory authorities adopted the principle of public utility pricing that the customer be given a discount price for utility services consumed at peak demand period (for commutation service is still a peak demand service).

SUCH a public utility pricing practice is in direct conflict with the principle generally prevailing in other public utilities; *i. e.*, that the customer is required to pay a premium rate for the use of public utility services in peak demand periods, and that discount rates be given in off-peak periods in order to increase consumption during these off-peak periods and thereby result in an increased efficiency of use of public utility facilities. A classic example of this rigid commutation rate policy is the case of the Long Island Rail Road. That railroad was denied a rate increase from 1918 to 1947—a period of twenty-nine years. The inevitable long-run consequences happened in 1949 when this railroad went into receivership. If it were not for the tax relief given the Long Island Rail Road through a New York statute referring to "railroad development corporations" (under which the Long Island Rail Road qualified), this railroad would still be operating at a substantial deficit instead of a net railway operating income of $982,000 in 1957.[1]

It is true that commutation revenue for the railroad industry increased from an average of 1.12 cents per passenger mile in 1947 to 2.36 in 1957, an increase of 110 per cent. But the rate was 1.10 per passenger mile in 1921 (it was almost this low in 1900) and only increased above 2 per passenger mile in 1954! In the meantime, costs of rendering the service had increased nearly 300 per cent.

2. FUTURE COMMUTATION RATE POLICY: In my opinion, there is no longer any justification for the state commissions or the ICC to regulate the level of commuter rates. The original justification for regulation, monopoly, has long ceased to exist. The railroads should be permitted to determine their own commutation rates, and to introduce any flexible

[1] The Long Island Rail Road was the only major passenger railroad which was in the black in so far as its passenger business was concerned in 1957. Passenger losses in 1957 were as high as $57.5 million for the Pennsylvania Railroad, and $52.3 for the New York Central railroad. All other major railroads also suffered a passenger deficit in 1957.

"AS a result of existing regulations, the regulatory authorities are decades behind in their thinking concerning the present function of regulation. This function is to encourage the dynamic growth of a competitive passenger business on a profitable basis. A major revision of such regulation is long overdue. An immediate end of the suspension of rate increases is desirable. (The end of all rate regulation is even more desirable.) Today, by the time rate increases are granted, costs have continued their upward march, and the railroads involved have lost much needed revenue . . ."

pricing policy which in their judgment will best serve the public and contribute to a sound financial position of the commutation railroads. Railroad management would then have the burden placed squarely upon its shoulders to prove that it can improve service, efficiency, and revenue by its own policies. If they fail, then the burden of failure can be placed where it properly belongs—upon railroad management.

It is a much sounder policy in the long run to have a commuter service which is self-sustaining than to have nonsustaining rates which will lead inevitably to a major curtailment or abandonment of such a service. Once a major curtailment or abandonment is made, it will be very costly to restore such service if an emergency or a defense situation requires a restoration of service.

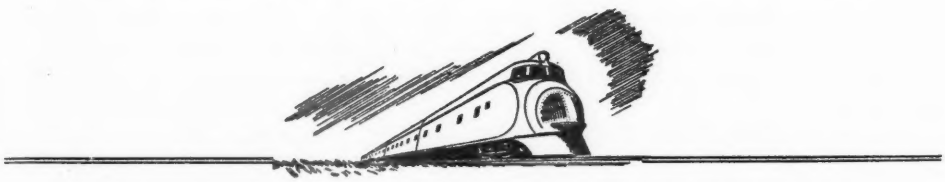
Other possible remedies of the problems facing the railroad commutation business are discussed below in connection with the intercity passenger problem.

3. Intercity Passenger Problem: In December, 1958, dramatic evidence was given to the plight of the intercity passenger deficit of the railroad industry by the petition of the Lehigh Valley Railroad to abandon completely its passenger business. This railroad had carried 2.5 million passengers in 1946, 781,000 in 1957, and an estimated 650,000 in 1958. The Lehigh Valley Railroad feels that there will be no future reversal of this downward trend in its passenger business, and that it cannot continue to underwrite its huge passenger deficit which will exceed $4 million in 1958.

The Lehigh Valley is not alone. The Baltimore & Ohio, which sustained a passenger deficit of $34 million in 1957, secured a substantial abandonment of its passenger business in 1958. The New York Central and the Pennsylvania Railroad suffered an even greater passenger deficit in 1957. The problems which confront the intercity railroad passenger business are even more acute than those of the commuter phase. Intercity coach passengers have declined from 360.9 million in 1947 to 167.7 million in 1957, a reduction of 53 per cent. This compares with a decline of commutation passengers from 345.1 million in 1947 to 243.7 million in 1957, a decline of 30 per cent. Coach revenue declined in the same period from $559.5 million in 1947 to $430.5 million in 1957. The increase of average revenue per passenger mile from 2.74 cents in 1947 to 3.68 cents in 1957 has not materially contributed to the solution of the passenger problem because costs have risen much faster than rates. It also must be recalled that for many years the intercity passenger rates were abnormally low as a result of regulatory policy.

Another problem confronts the intercity passenger railroads. It is the low first-class air rates and low coach air rates on long hauls. These rates are lower than comparable rail rates. Were elements of air subsidy reflected in air rates, these air rates would be substantially higher. This would remove an inequity which confronts the railroads.

4. Intercity Railroad Passenger Rate Problem: The rate increases granted to the intercity railroads have been slow in coming, and in most cases the rate increases were inadequate. As is



Railroads Should Set Own Commutation Rates

"IN my opinion, there is no longer any justification for the state commissions or the ICC to regulate the level of commuter rates. The original justification for regulation, monopoly, has long ceased to exist. The railroads should be permitted to determine their own commutation rates, and to introduce any flexible pricing policy which in their judgment will best serve the public and contribute to a sound financial position of the commutation railroads. Railroad management would then have the burden placed squarely upon its shoulders to prove that it can improve service, efficiency, and revenue by its own policies. If they fail, then the burden of failure can be placed where it properly belongs—upon railroad management."

the case with commutation fares, there is no longer any justification for state or federal regulation of intercity passenger rates. The service is competitive to a severe degree. The railroads should be permitted to establish their intercity rates on the basis of competitive pricing—including a consideration for the subsidy granted its competitors. The railroad management should be the judge of the effect of their rates upon overall revenue. It should adopt whatever flexible rate policies will contribute to a sustaining service.

In 1920 the ICC was given the power to overrule state commissions if the intrastate rate were prejudical to the interstate rate. This was a recognition that intrastate rates could be too low because of political and economic factors within a state. Today, there is even less justification for states to be permitted to determine the level of passenger rates which may be a burden upon interstate passenger service. If the ICC is not denied power to fix interstate passenger rates, it at least could be given a much greater jurisdiction over the level of intrastate passenger rates.

5. DINING CAR, SLEEPING, AND PARLOR CAR SERVICES: At one time this service was rendered by the Pullman Company as an independent company rather than by the individual railroads concerned. But as a result of a court order in 1946 (growing out of an antitrust proceeding initiated in 1940) the original Pullman Company disposed of its sleeping car division to the 57 passenger railroads in the country.

Today, the sleeping car service is rendered by the Pullman Company as agent of the owning roads. All earnings above the Pullman Company's operation are pooled for distribution among the owning carriers. Individual railroad ownership

of parlor and special sleeping cars may in some cases result in more efficient operation, but it scarcely will result in profitable operation.

At present, the railroads render a Pullman service which is no longer profitable. Including the dining car service, the railroads experienced a deficit of over $143 million in 1955—and this deficit has increased since 1955. The $191 million received for this service in 1957 is hardly conducive to an improvement of the deficit condition ($486 million was received for this service in 1946).

The extent of the decline of Pullman service can readily be grasped when it is realized that this service had 43.7 million passengers and 19.8 billion passenger miles in 1946, compared with 13.3 million passengers and 5.2 billion passenger miles in 1957. (The 1957 decline from 1956 was 3 million passengers and 1 billion passenger miles.) No longer are the comfort, speed, and convenience of this service noncompetitive. Today, air transportation is taking the bulk of this service. Recent increases in Pullman fares fall short of meeting the total cost of this service. And its future is bleak indeed.

It is a distinct surprise to most people to learn that the railroad dining car service is conducted at a heavy loss. The public tends to compare dining car prices with restaurants back home which charge similar or lower prices. But completely ignored in this comparison is the fact that seat turnover in the dining car business is very low, that the amount of equipment and labor units per diner is much higher than an ordinary restaurant. Again, the dining car employees are paid railroad classification wages rather than wages prevailing in the general restaurant field. The railroads have done much to reduce this dining car loss, but a recent ICC figure shows the cost of dining car service to be $1.46 for each dollar received.

Unless major relief is received by this service, there is an increased likelihood that this service will be the first of the major divisions of the passenger service to be abandoned. A luxury service cannot be forever rendered by a prostrate industry at a huge loss. The railroads should be permitted to adopt a value-of-service rate for this luxury service and to adopt management practices which may contribute to increased revenue. The only other alternative is a substantial curtailment or abandonment of this service.

6. Mail Service: The railroads are still the backbone of the mail business. The policy of the postal department in using other forms of transportation to ship mail is understandable, but national interest compels the maximum use of the railroad passenger facilities to ship mail. The elimination or major curtailment of this service will in the long run be costly to the mail service.

Therefore, a revision in the methods of determining mail payments to the railroads is overdue. These mail rates should be high enough to cover all costs which the railroads incur in this service. Additional mail payments would help to lessen the passenger deficit. It is often forgotten in the mail-rate policy that much of the mail today has the character of freight, but is not shipped at freight rates.

7. Express Service: This phase of the railroad passenger business has been conducted at less than full cost for many

years. It has faced heavy competition from trucks, airlines, and inadequate parcel post rates. In addition, it has suffered from the increasing freight character of the parcel post service. If parcel post rates were constructed on a valid cost basis, the Railway Express division of the railroads would be better able to compete with the parcel post. A start has been made in this direction in recent years, but it has not gone far enough. Considerable savings could be realized by the postal department if the weight and size of parcel post packages were further reduced. Then, the Railway Express could more fully perform its legitimate function. Consideration might be given to the possibility of the Railway Express enlarging its modes of shipping express freight and the adoption of more competitive pricing.

It must be recalled, however, that the Railway Express service has lost its traditional value-of-service character in recent years. This is a long-run factor that may lead to a continued decline of this service. This may be aggravated by the withdrawal from the present express contract of a number of railroads after December 31, 1958.

Therefore, it seems doubtful, under present and future prospects, that the Railway Express can return to profitable operation. This poses the question that if this service is to be retained whether it is not logical that it should be merged with the parcel post service as a function of the government. This is in keeping with the tradition of the American constitutional principle that an essential public service which cannot be managed at a profit by private industry should become a governmental function.

8. BAGGAGE SERVICE: This service in recent years has been almost as great in its deficit as has the express service. Greater flexibility in baggage charges and regulations is desirable. But there are so many incidental costs relating to this service that it is doubtful whether it can ever become a profitable service. The solution of this problem is an inseparable part of the solution of the passenger deficit problem as a whole.

Additional Steps

IN addition to the above suggested steps in alleviating the passenger problems

¶ "MANY communities depend upon the railroads for property and other tax revenue. This encourages local community opposition to the abandonment of generally unprofitable commuter and intercity passenger facilities. Consideration might well be given by the state and federal government to a reduction of this tax burden on the basis that the railroads are forced to maintain unprofitable commuter and intercity passenger facilities. Since these railroads render what is regarded as an indispensable service, special tax relief attuned to this contribution would be in keeping with sound public policy. Competitive modes of transportation are given public subsidies on this traditional basis—even though the tradition was established during the infancy and rapid growing periods of these competitors."

of the railroad, there is much justification for the following:

General Revision of Regulation: Existing regulations of the passenger railroads are far behind the times. They are based upon the philosophy of monopoly in an era of severe competition; they are predicated upon an ever-growing intercity passenger business in a period of a rapid decline of that business; they are built upon the sacred god of competition rather than a co-ordination of service; they are based upon a profitable intercity passenger business in a period of huge losses; and they are predicated upon a static economy rather than a dynamic one.

As a result of existing regulations, the regulatory authorities are decades behind in their thinking concerning the present function of regulation. This function is to encourage the dynamic growth of a competitive passenger business on a profitable basis. A major revision of such regulation is long overdue. An immediate end of the suspension of rate increases is desirable. (The end of all rate regulation is even more desirable.) Today, by the time rate increases are granted, costs have continued their upward march, and the railroads involved have lost much needed revenue that would have been realized were the suspension period only thirty days. Truly, the intercity passenger railroads are riding on a cost-rate merry-go-round.

CONSOLIDATION: A more inefficient system of duplicated railroads than exists today is hard to imagine. Extensive consolidation is badly needed. Fortunately, the nation's railroads are aware of this need and are undertaking major studies toward possible consolidation. There is much duplication of intercity passenger facilities and services. Savings in taxes, in fixed and variable costs can be realized by consolidation. The theory of competition for competition's sake should not be a barrier to consolidation of passenger facilities. The consolidated passenger service could be improved and made more profitable.

The fetish of maintaining competition should give way to the need of the most efficient service to the public. If the ICC serves as a barrier to consolidation, then Congress must amend existing regulation in order to facilitate consolidations.

Co-ordination: In line with the elimination of duplicate facilities the movement toward co-ordination of passenger service should be encouraged. This will help reduce cost without decreasing the quality of service. Co-ordination may also involve the abandonment of high-cost duplicating services and facilities.

REPEAL OF THE PASSENGER TAX: Few taxes have less justification than the 10 per cent passenger tax. The tax was adopted in World War II, not as an essential revenue measure, but to discourage passenger travel.

This tax, however, did not discourage travel during World War II because most of such travel was made for reasons which were not affected by the cost of travel. But the same 10 per cent tax in peacetime has made travel more expensive without adding to railroad passenger revenue. This tax should be repealed, and serious consideration should be given to the incorporation of this 10 per cent in the existing passenger rate structure. This would not cost the passenger any additional fare and would provide considerable revenue to the passenger railroads.

OTHER TAX RELIEF: Many communities depend upon the railroads for property and other tax revenue. This encourages local community opposition to the abandonment of generally unprofitable commuter and intercity passenger facilities.

Consideration might well be given by the state and federal government to a reduction of this tax burden on the basis that the railroads are forced to maintain unprofitable commuter and intercity passenger facilities. Since these railroads render what is regarded as an indispensable service, special tax relief attuned to this contribution would be in keeping with sound public policy. Competitive modes of transportation are given public subsidies on this traditional basis—even though the tradition was established during the infancy and rapid growing periods of these competitors.

In order to encourage a shift from the use of the automobile for commuter travel by individuals a commuter should be permitted to deduct from his income the total cost of such commuter travel. This would be a tax saving to the individual that could lessen his actual commutation cost and would tend to lessen the congestion caused by overuse of the private automobile for day-to-day travel to work. This same principle might be applied to the users of public transit but not to the automobile user —for the proposal is aimed at relief to commutation or transit travel and a reduction of highway congestion.

TRANSPORTATION COMPANIES: A long-run policy which could contribute to a solution of the railroad passenger problem would be to amend existing legislation to permit railroads to become transportation companies. This constructive step would enable the railroads to render all transportation services more efficiently and more effectively. It would provide a maximum use of facilities; eliminate much duplication of transportation service; make possible a more consistent and logical rate structure; provide a greater stability of service; give greater control of costs; and provide the financial stability that is so desperately lacking in the railroad industry today. This concept of a transportation company would also have far-reaching effects upon the railroad freight business. It is a drastic step, but drastic steps are needed to solve the passenger problem.

GENERAL SUBSIDY: This is, in my opinion, the least desirable solution of the railroad passenger problem. It is an admission of defeat. Subsidies are a valid means of encouraging the growth of transportation modes in the period of their early rapid growth because such subsidies have definite economic, social, political, or military consequences which justify the subsidy.

But to subsidize the railroad passenger business when there are sound alternative remedies, as discussed above, is in reality an avoidance of a remedy. Yet, if these remedies are not granted, then some form of subsidy will be imperative. Otherwise, a major curtailment or abandonment of passenger service will be inevitable. If the basis of a refusal to grant a major curtailment or abandonment of passenger service is based upon the argument that these facilities are needed for stand-by emergency use (such as weather or other emergencies) or national defense use, then it is the duty of the political subdivisions

concerned to grant some form of subsidy as a national policy.

ONE thing is clear. The railroads cannot continue indefinitely to underwrite the unprofitable passenger service by increased freight rates. This has been the case for too long a period in a growing competitive transportation economy.

Railroad labor practices have contributed to the heavy loss of the passenger business. If labor were to eliminate some of these practices that inflate labor costs, then an important step would have been taken in the direction of a more efficient and less costly service. There has been some progress in this direction, but much is still to be done. If the railroads are driven to the wall, labor too will suffer from the inevitable consequences of such an event.

General Summary and Conclusions

THE major problem of the railroad industry today is the huge deficit incurred in the operation of the passenger business. There is little hope of a reversal of the long-established downward trend of this business. Yet some steps should be taken to help reduce the huge deficit of this service. These steps include: (a) revision of rate regulation which would permit the railroads to price their passenger services in accordance with the changing competitive character of this service in order to make it as self-sustaining as possible—this would involve railroad freedom in the construction of commuter rates, intercity rates, and Pullman rates; (b) mail payments to the railroads should be sufficient to cover total costs, and the postal service should be encouraged to use passenger mail facilities on the most efficient basis even if this involves increase in mail rates for parcel post; (c) consideration should be given to incorporating the express service in the postal division; (d) baggage and other charges should be a function of the railroads; (e) consolidation and co-ordination of service should be encouraged as a public policy; (f) the passenger tax should be repealed and incorporated in the passenger rate structure if feasible; (g) consideration should be given to property and other tax relief for the railroads and the commuter; (h) the possibility of permitting the railroads to become transportation companies should be explored; (i) labor practices should be revised to contribute to the elimination of unnecessary labor expense; (j) abandonment of certain phases of the passenger business should be permitted; and, finally, (k) consideration should be given to a general subsidy program for the passenger railroads if other solutions of the passenger problem are rejected. This is the least desirable solution but it will be inevitable if the remedies available in a free economy are not granted. Such a general subsidy will bring with it the inevitable controls upon freedom of action and decision which are an inseparable part of all subsidies.

THE suggestions outlined above are drastic. But the situation is critical, and any piecemeal solution will simply postpone the inevitable collapse of the passenger business. The time for action is now!

Electric Rates, Bills, and Public Relations

PART II

Utilities disagree on the best public relations methods for handling a rate increase. Some say the less said about it the better since a boost in rates is always unpalatable. Others favor mass communication, simultaneously informing employees, civic officials, industry, influence groups, and the press. In showing the need for higher rates by facts and figures, it is hoped any mass protest will be averted and the increase will be made acceptable.

By ROBB M. WINSBOROUGH*
VICE PRESIDENT, MIDDLE WEST SERVICE COMPANY

JOHN L. LEWIS recently negotiated another $2-a-day wage increase for the United Mine Workers, so the price of coal will probably go up a little more, in spite of additional mechanization by the mine operators.

Many electric companies negotiated new wage rates in the summer of 1958. The average weighted increase amounted to 4.82 per cent. So payroll costs will climb a little, in spite of more automation.

Recently one of the largest electric companies in the country sold a first mortgage bond issue at 4⅜ per cent. Ten years ago much smaller and less well-known electric companies sold their bonds at 3 per cent, and a few were able to get money at 2¾ per cent. So capital costs will continue to rise a little more.

These happenings are signs that there is little promise of any reversal in the inflationary forces which have been pinching the electric companies for the past ten years. The upward pressure on electric company investment costs and operating costs appears to make further electric rate increases almost inevitable. Operating expenses already have been squeezed hard by most companies. There may still be some fat that can be trimmed here and there by a good operations study, but there does not seem to be room for enough operating economies to offset the continuous upward creeping of costs.

REQUESTS for additional rate increases will bring acute public relations problems for many companies that have already had one or two rounds of rate increases. Even for those fortunate few

*For additional personal note, see "Pages with the Editors."

companies that have not yet increased rates, the prospect of a rate increase is not a pleasant public relations prospect.

Nobody really likes a rate increase. Obviously, the customers would rather not have it. The regulatory commission, or city councils, would rather not have to order the customers to pay more. The company would much rather not ask for a rate increase if there were some other available method of maintaining adequate earnings. Nobody really likes to raise the rates.

A Public Relations Job

FACED with this unpleasant situation, what can a company do that will ease the pain and avoid public relations difficulties?

There are steps that can be taken which will help the company.

A good frame of mind in which to approach this problem is to realize that while the company many not be able to make a rate increase popular, the company can make it seem reasonable and hence acceptable, not something to be feared. To accomplish this is the major objective of the rate increase public relations job.

The place to start is in preparation of the material for the rate case. In most states the regulatory procedure requires that the company shall virtually prove that its revenues are not large enough to leave a fair return on the value of the company's investment after having paid the necessary expenses. The proof of this is often complicated and involved, but there are certain simple fundamentals which underlie the process, and these are the things the public relations man wants to know and understand.

In theory, some value of the property must be established. It may be "original cost" or "fair value" or "reproduction cost new, less observed depreciation." In any case, some value of the property must be established in determining the rate base.

In establishing this value the company people will compile a record of investment costs for some years back. If the public relations man examines this record, and asks questions about it, he will find a number of interesting and useful facts. For example, the total investment per customer served has probably increased greatly in the past ten years. This means the company is placing a larger amount of money at the disposal of each customer —money which the company has raised and invested in the facilities which serve the customer.

In doing this the electric company has performed a valuable service for the customer—enabling the customer to increase his standard of living.

IN establishing the increased investment the company will show that the cost of equipment has increased. A 35-foot pole installed may have increased in ten years from a cost of $25.42 to $38. A three-wire household meter may have increased from $10.91 to $15.10. An insulator may have increased from 19.5 cents to 29.5 cents. A crossarm may have increased from $1.76 to $2.53 each.

All of these items are things our customers see every day. They know we use these things in our business to serve them. When we tell them, they will understand that if the cost of these things has gone up, it probably costs a little more to supply their electric service.

Developing Other Facts

THE next large part of the rate increase procedure is to establish the operating expenses of the company. This is usually done by showing past records of expenses in some detail, and making comparisons with various standards. If the public relations man asks enough questions about this phase he will come out with some useful bits of information.

The lineman's hourly rate may have increased from $1.75 to $2.70 in the past ten years. Fringe benefit costs may have risen from 28 cents per hour to 56 cents per hour in the same time. The cost of a trouble truck may have almost doubled in the same ten years. The total taxes paid may have increased much faster than the company's revenues.

These are simple facts that can be told to the public with a good chance that the facts will be understood, and will help the customers to understand why the cost of electric service is going up slightly.

If the public relations man is closely in touch with the men who are building the rate case for the company, these and other similar facts can be developed early in the time schedule. The public relations man can thus be building his own case and timetable at the same time that the rate case is being developed. When this is done, in co-operation with the men who are handling the rate case, the public relations department has a much better chance to help the company win public acceptance of the rate adjustment.

Actions Need Co-ordination

THE timetable of actions is a matter of some importance, and it needs to be built jointly by the rate case men and the public relations department so that both activities are co-ordinated for the benefit of the company.

The key date is the filing date—the date when the company makes its formal request of the regulatory commission for consideration of a petition to increase electric rates. Let us call the filing date "D-Day," to give us an anchor point.

"D-Day" has certain important characteristics. When the company makes its formal filing with the regulatory agency, no further secrecy is possible. The company's request for higher electric rates is then a matter of official public record. It is then legitimate news material for the papers, radio, and TV. It is usually a story of such importance that it makes the front pages of all the papers in the company's area and generally gets quick and detailed handling on both radio and TV stations.

¶ "THE public relations work has two well-defined phases, the preparatory phase and the action phase. In the preparatory phase the public relations department assembles all of the information which is to be used in news stories, illustrated booklets for influence groups, turnover chart presentations for employee meetings, city council meetings, and civic club meetings. The preparatory stage also includes preparation of any introductory ads which may precede the filing of the request, preparation of the ad to be published one day after the filing, preparation of bill comparison forms if they are to be used for customer bill analysis, etc. All of this material is prepared, approved, and produced prior to 'D-Day.' "

How to Handle News Aspects

SINCE this publicity is unavoidable, it is obvious that the public relations people should try to guide it to minimize possible harm and to make it as helpful as possible. There are ways to improve the company's chances for a good break in handling of the news.

One way to help the company get a good break is to have a well-written news release in the hands of the press, radio, and TV just as soon as possible after the moment of filing. Usually there are newsmen who cover the offices of the regulatory commission. They will probably have an inkling that the company may be coming in with something, and they will be on hand. They should be given the news story, and every assistance in getting it on the wires, phones, or on the air.

The way the news release is written is a matter of importance. Unless the company writes the news release the story is almost certain to hit the papers with a headline that emphasizes the total amount of the requested increase. This cannot always be avoided, but sometimes it has been toned down by a news release that features the modest amount by which the rate adjustment will affect the typical residential bill. The skill with which the news release is written is a matter of some importance and should not be carelessly done.

Value of Advertising

USUALLY it is company practice to place an advertisement in the papers the day following the filing, stating that the company has made a request for a rate adjustment. Many companies have developed effective announcement ads which tell in short, effective style the reasons why the company is requesting an increase in rates. These ads often show the effect on the average residential customer's bill. This comparison is usually used because of the much larger number of residential customers and because these are the voting customers whose attitudes may be of importance to the members of the regulatory commission, as well as to the company in any future franchise election. The effect on the average residential bill is not too frightening and it is desirable to point that out.

THROUGHOUT the electric light and power industry there is a generally agreed viewpoint that it is not desirable to do too much advertising about a rate increase after it is requested. No one really likes a rate increase, so there is little to be gained from advertising the bad news beyond the necessary announcement of the company's reasons for the action. Usually one reasonably sized advertisement announcing the request is all that is done.

There is not so much agreement within the industry concerning advertising prior to the formal filing of the rate increase request.

One point of view is that advertising a price increase, in advance or afterwards, is poor merchandising. It is not done by the automobile manufacturers, nor by the clothing manufacturers, nor by grocery stores, nor by other lines of business. The price increase, when it comes, is an unavoidable unpleasantness and the less said about it the better.

Many companies have used preparatory advertising to point out that electric companies were being subjected to operating

cost increases much as the cost of living was rising for householders. In addition, these ads have often pointed out the great value of electric service and the small daily cost for the great benefit.

Some Methods Discussed

THE method of handling rate increase public relations was discussed in some detail and at some length by a panel at the Electric Company Public Information Program (PIP) Workshop in Minneapolis, Minnesota, on October 2, 1958.

John F. Childs, vice president of Irving Trust Company, moderated the panel. The panelists were Melvin G. Kennedy, manager, sales and marketing department, Ebasco Services Incorporated; Donald M. Mackie, advertising manager and director of public relations, Commonwealth Services, Inc.; and myself, writer of this article.

THE interrogators of the panel were Robert H. Herrick, supervisor, public relations unit, public information department, The Cleveland Electric Illuminating Company; Anthony E. Wallace, public information manager, The Connecticut Light & Power Company; and Jay Paul

Give the Press a Well-written News Story

"THERE are ways to improve the company's chances for a good break in handling of the news. One way to help . . . is to have a well-written news release in the hands of the press, radio, and TV just as soon as possible after the moment of filing. Usually there are newsmen who cover the offices of the regulatory commission. . . . They should be given the news story, and every assistance in getting it on the wires, phones, or on the air. The way the news release is written is a matter of importance. Unless the company writes the news release the story is almost certain to hit the papers with a headline that emphasizes the total amount of the requested increase. This cannot always be avoided, but sometimes it has been toned down by a news release that features the modest amount by which the rate adjustment will affect the typical residential bill."

Wade, manager of advertising and public relations, Central Illinois Public Service Company.

Mr. Childs pointed out that adequate earnings are essential to maintaining a good standing with investors and that a good standing with investors is essential to raising the large amounts of capital the industry constantly requires. He further pointed out that, if inflation continued, rate increases will be essential and that only through a better understanding on the part of customers can this rate increase problem be met; that a substantially greater public relations effort would be required; that public relations is the most important factor that may determine the future financial strength of the industry and the customer's own welfare; and that top management must spark the drive for better employee understanding which will create better public relations.

MR. KENNEDY made an excellent presentation of the viewpoint that little should be said about rate increases. Among other points, he said:

> My basic philosophy is that you do not make any undue noise about an increase in price other than the formal notification that may be required. I feel that it is unwise to take advertising space to remind customers that they are going to have to pay more for electric service. As far as I know, the electric industry is about the only one that feels obligated to advertise price increases. Most every other purveyor of goods and services, when forced to increase its selling price, does so as unobtrusively as possible. Take automobiles for instance. Every year prices keep going up but I have yet to see a paid advertisement by General Motors or Ford that said, "Sorry, but this year's models are going to cost you more money."

"D-Day" Concepts Described

MR. MACKIE presented an excellent case history of a successful handling of the public relations problem associated with a rate increase. He exhibited a booklet which was used with employees and customers to tell effectively the story of rising electric company costs and the need for a modest rate increase. He described a timetable based upon the "D-Day" concept and he detailed the steps used in informing the employees prior to "D-Day."

I also presented a case history showing the steps taken to prepare the employees and the influence groups on and prior to "D-Day."

THE interrogators' questions were sharp and seemed to indicate that possibly their preference was for the preparatory advertising approach to the rate increase problem.

The prior preparation public relations program includes more than the simple "D-Day" concept. It includes a well-planned program for informing all employees thoroughly on the reasons for the rate increase. This is usually done in employee meetings held before "D-Day" but as near to it as possible. Where there are a great many employees, it will be necessary for some leaders to be trained in telling the story so they can present it to the employees. This means these leaders must get the story three of four days before "D-Day." The matter of secrecy is important, so they must be trusted leaders.

One protection for the company, when it can be worked out, is to make informal approaches to the regulatory commission well in advance of "D-Day," to discuss informally the company's problem and plan. Very often this can be done with complete privacy and assurance there will be no leak prior to formal filing. When this can be done, it takes off much of the pressure for extreme secrecy. It is still desirable to avoid premature press publication or radio or TV coverage and this can be done.

Preparatory and Action Phases

THE public relations work has two well-defined phases, the preparatory phase and the action phase. In the preparatory phase the public relations department assembles all of the information which is to be used in news stories, illustrated booklets for influence groups, turnover chart presentations for employee meetings, city council meetings, and civic club meetings. The preparatory stage also includes preparation of any introductory ads which may precede the filing of the request, preparation of the ad to be published one day after the filing, preparation of bill comparison forms if they are to be used for customer bill analysis, etc. All of this material is prepared, approved, and produced prior to "D-Day."

Action phase begins several days before "D-Day" with training of the speakers who are to present the company's story to employees, influence groups, city councils, and other important bodies. Often these speakers are employees at the level of department heads or division managers. They are completely briefed in the background story which underlies the rate increase request. They are rehearsed in questions and answers. They practice their presentation. Then, on the proper time schedule, they go into action.

IT is desirable in a widely scattered company to have as many of the important contacts made as nearly simultaneously as possible. The news story should be delivered to all papers as nearly at one time as possible. Presentations to city councils should be as nearly on the same day as meeting dates permit. Special meetings are often called.

Frequently the company's "turnover" chart presentation is reproduced as a small booklet and is used as a hand-out piece with important customers and civic persons. When it is left with important people, the employee who leaves it tries to get the person to go through the story while the employee is there to answer any questions.

Special plans are made to call on large industrial and commercial customers.

"THROUGHOUT the electric light and power industry there is a generally agreed viewpoint that it is not desirable to do too much advertising about a rate increase after it is requested. . . . Usually one reasonably sized advertisement announcing the request is all that is done. There is not so much agreement within the industry concerning advertising prior to the formal filing of the rate increase request. One point of view is that advertising a price increase, in advance or afterwards, is poor merchandising. . . . The price increase, when it comes, is an unavoidable unpleasantness and the less said about it the better."

These calls are usually made by trained commercial or power salesmen. Special bill comparisons and other cost comparisons are prepared for these customers.

Special calls are made on leaders of labor organizations, veterans' organizations, political parties, and other groups that might seek to be represented in the public hearings on the company's petition. By approaching these people ahead of time, "D-Day minus 1," or thereabouts, it is often possible to answer their questions and thus avoid their appearance at the formal hearing.

The End Result

WHEN a public relations activity of this sort is properly planned and carried out it is usually possible to avoid any massed opposition at the regulatory agency hearing. This makes for a less hectic and more sympathetic hearing on the merits of the company's case. The public relations program also gets the influence groups informed and able to talk before the matter gets kicked around too much in the papers or over the air. If the proper preparation has been made and the program carried out systematically, the company can usually win public acceptance of its rate increase.

Following "D-Day"—the filing date—company advertising should revert to the subject of the great value of electric service and its modest cost. No actual figures need be used. Simply sell great value—low cost without reference to the request for rate adjustment.

IN summary, the purpose of the public relations activity which accompanies a request for rate increase is to avoid mass protest. This is achieved by explaining the reasonableness of the company's request. It is not expected that the rate increase will be popular, but it can be made acceptable. That is the public relations goal.

It can be achieved and it has been achieved, when proper plans are made and these plans are faithfully carried out. It requires hard, competent work but the results are rewarding. It means continuance of good customer and public relations and the preservation of adequate earnings which are so necessary for attraction of new capital.

"THE old American philosophy of government more effectively promoted the ideal of human freedom, with greater material abundance for more people, than any social system ever propounded; freedom to live under the minimum of restraint—freedom to make your own mistakes if you will. The fundamental and ultimate issue at stake, therefore, is not merely our money. It is liberty itself: the excessive taxation of an overgrown government **versus** personal freedom; a least common denominator of mediocrity against the proven progress of pioneering individualism; the free enterprise system or the cult of blind conformity; the robot or the free man."

—DOUGLAS MacARTHUR,
Chairman of the board, Sperry Rand Corporation.

GAS DOES IT
Advertisement
NEW LOW GAS RATE
To be put into effect by Aug 20
Presented by YOUR LOCAL GAS COMPANY
New Gas Rates
You do it better with GAS—
GAS

Gas Really Has a Hard Sell

By JAMES H. COLLINS*

Meaning, not the old point-of-sale competition, but a formidable project of appliance research, to increase its usefulness in our economy. Also, to prepare for the day when synthetic fuel will be its commodity. As for the point-of-sale rivalry, both services will grow on it, as in the past.

EVEN before the business letdown last year, we were being told that *now* we were up against the "Hard Sell." That we had had it too soft for too long. That with two wars, an enormous backlog of consumer demand, the seller's market, we had forgotten how to ask, "May I help you?" What we face today is just normal business, the give-and-take that our daddies knew, which we shall have to learn, and live with.

This is what the gas industry is being told today: that it has been riding high on the boom of pipelines; that natural gas has brought it millions of new customers; that coal and oil furnaces have been converted for house heating; that manufactured gas has been supplanted everywhere.

Gas people themselves are warning the industry that the honeymoon is over. There is competition for the cooking and water-heating business, and for house heating. The hard sell is here. The time has come to fight.

But this is not altogether the competition between rival services at the point of sale, where the housewife is weighing the arguments of rival salesmen, making her decision on a range or water heater. It is a hard sell that will begin in research laboratories, where new gas appliances must be developed, not only to meet sales floor competition, but to make gas more useful to the customers.

It also involves the building of a stronger gas appliance industry, and a stronger

*Professional writer, resident in Washington, D. C. For additional note, see "Pages with the Editors."

retail dealer organization to distribute the results.

WHILE the reserves of natural gas are enormous, it is an expendable stuff, cannot last forever, and an important field of research, already being explored, is that of manufactured gas against the day when it might possibly be needed again, or when natural gas becomes too expensive. Nearly a dozen processes have been investigated the past few years.

It would be hard to convince the gas or electric appliance salesman that, when he closes a deal, he has not taken something away from the other fellow.

Yet all this hard selling is simply sharing in the growth of the American economy, by serving it. There will be enough for both. There always has been. If a third kind of utility were found, there would be enough for that, too, because our economy is dynamic—it can be as dynamic as a bear caught by the tail.

For example, see what it has done postwar to the American coffee cup.

Coffee has been the chief money crop of Latin American countries, America the best customer. Suddenly America takes to instant coffee, for which African coffees are found suitable, and Latin America's money crop is hard hit. It now appears that instants will have to be made in the coffee-growing countries, and that may mean that U. S. coffee firms will join with them in starting instant factories—it has already been done in Salvador.

The electric industry caught a bear by the tail in the room air conditioner. That appeared to be just another appliance to increase load, but its instant popularity created an impossible summer peak for electric utilities, and turned their thought to winter house-heating load as an offset. A new competition is threatened for gas, but prospects are that each will develop new cooling and heating systems for homes, and open up an entirely new area of service to the economy. It has worked that way in the past.

A Look at Gas History

THIS hard sell that the gas industry faces needs a little perspective. When Edison ransacked tropical countries to find a special bamboo, to char for his squirted incandescent filaments, the gas industry had all the lighting load. Electricity was not considered a rival. It was expensive, required wiring, and not good illumination compared with the Welsbach mantle that arrived about that time.

The Welsbach mantle was a gift of pure research, from Germany, the mysterious home of science. Gas at that time had no notion of what scientific research might do for it, nor had American industry in general. Only a few years before, Andrew Carnegie had been laughed at for hiring a German chemist to analyze the iron ores he bought. Carnegie had the last laugh, for his chemist showed him that some of the cheaper ores available had a higher iron content than the higher-priced ones preferred by his competitors.

Baron von Welsbach (1858-1929) was an Austrian chemist who discovered some new elements, rare earths now listed as footnotes to the periodic system. Welsbach was also practical scientist enough to apply these elements to the beautiful white gas mantles bearing his name. They were such an improvement on the naked flaring gas jet that they outdistanced electric lamps. The gas industry had no worry.

GAS REALLY HAS A HARD SELL

WHEN metallic filaments and vapor lamps were developed, the gas industry was getting into cooking and heating, with cheaper manufactured gas, and finding new industrial uses.

Natural gas was not entirely unknown in these early days—the 1880's. But it was local. The writer remembers it being piped into Detroit from Ohio wells when the city's whole electrical supply was generated in an old machine shop on Third street. Connected to the coal "base burners" of the time, and burned with broken pottery, it gave off heat in abundance, and was considered a marvel of invention. Unfortunately, the Ohio wells soon gave out. Had they lasted long enough, inventors would undoubtedly have invented the gas cook stove. Instead, they invented the gasoline stove, which many families refused to install, considering it dangerous—which it was.

Nobody even in the young electric industry dreamed that some day current would be used for cooking. Even the electric motor had a competitor in the Otto gas engine, more convenient than steam for local power.

Appliance Industry Needed

COMING out of the pipeline building period, with more than 30 million customers, gas realizes that it has never had an appliance industry, and badly needs one.

Electricity had so many applications that, from the first, it was served by large companies, with ample research money.

Gas had a few applications, and its appliances were developed mainly by local manufacturers. There are today more than 500 gas appliance concerns, some large machine companies, but the majority small, often family businesses, handed down from the founders. It is said that even the larger concerns are not making money, have no research funds, nor any for advertising their products.

To date, gas ranges and water heaters have been improved with automatic temperature controls, safety shut-off devices, timing devices, more convenient ovens and broilers, and sales features of various kinds.

Space heaters have become push-button room units, more convenient and economical than furnaces for heating the whole house, and adapted to a wide area of mild climate. But for other applications, gas has followed trends, in the words of a gas appliance manufacturer. There is as yet little basic research. The gas refrigerator, washer, drier, garbage burner, and other recent appliances have been developed following trends.

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¶ "WHAT may be needed in both gas and electric research, just now, is a long look into the future, to indicate what lines the research should take. Research results are generally unpredictable. The scientist sets out in a promising direction. . . . If a toaster were contrived for a residential gas range, it might be an attractive sales feature, even though it did not pop. But it would be a gimmick, following a trend. . . . The room air conditioner opened up future vistas for both fields of research, because it was a new and basic application of energy to the American home. The heat pump and gas air conditioning are similar developments."

Gas Appliance Research

It has been suggested by appliance manufacturers that if gas utility companies concentrated their promotion behind appliances made by the larger concerns, there would be volume enough to pay for research and appliance advertising. This situation could also come about if new and popular gas appliances were developed—which is the way volume is usually built in American industry.

Gas appliance research can start with two basic advantages: Gas is moderately priced, and it can be stored for economies in utility company plant investment.

Recently, there have been some studies of gas and electric costs in housing projects, some of them military housing. Three plans were investigated in one inquiry: 1. A combination of gas for cooking, water and house heating, and summer cooling, with electricity for light, refrigeration, and other appliances. 2. The same setup, with electrical cooling. 3. Electricity for all purposes, with a heat pump.

Only the cost of the meter services was covered in this study, not the investment in piping, wiring, or appliances. Rates in 35 typical communities were used, and electric costs were reported higher in all but one city. This was admittedly a controversial investigation. To have value for home builders, it should cover total costs. If gas is more economical in all respects, it should find a vast market in families with moderate incomes. Appliance research along the line of making gas more attractive to that market could develop definite advantages.

As the big natural gas pipelines have spread out, supplanting manufactured gas, utility companies have hunted holes in the ground for laying down winter supplies. Depleted oil, gas, and salt wells, mines and cavities of every sort have been tightened up, and billions of cubic feet of the fuel held against sharp, short winter-heating peaks, where otherwise pipelines would have had to be enlarged, at heavy investment costs.

There are no depleted oil or salt wells around St. Louis. The Laclede Gas Company had 100,000 house-heating customers, and another 100,000 wanted service. St. Louis winters are short, not always cold, but to bring in enough gas to meet the possible peak, pipelines would have to be doubled; surface tanks would also be prohibitive in cost.

The company put geologists at work drilling test holes over a wide area. Eighteen miles northwest of the city they discovered a sandstone dome, a quarter-mile down, a big bubble in the rock, 25,000 acres of it, gas-tight. Wells were drilled to 3,240 feet. At 950 feet oil was struck, but created no excitement; times have changed, oil would just be a nuisance. In this reservoir 4 billion feet of gas is stored, flowing through existing pipelines at off-peak periods, and 100 million feet daily are drawn out for winter when needed.

Driving along through the countryside, the motorist sees a few surface pumps, otherwise the farmers still raise crops as usual.

Paths Research Should Take

What may be needed in both gas and electric research, just now, is a long look into the future, to indicate what lines the research should take. Research results are generally unpredictable. The scientist

Gas Merchandising Picture Has Changed

"THE other day, a Long Island utility company announced the discontinuance of its appliance business, stating that where a few years ago there were few retail outlets in its territory, today there are alert dealers everywhere, with display and sales facilities. The company will direct its advertising and promotion to these dealers, co-operate with plumbers, continue to make free heating surveys for home owners, prepare heating cost estimates—briefly, modernize its distribution from the days when it was necessary for the company to take on the missionary work in appliance selling. Since the coming of natural gas in that area, three times as many new houses have installed gas-heating facilities—more than seven in ten new homes are on its gas mains."

sets out in a promising direction. At any moment he is apt to catch a bear by the tail.

If a toaster were contrived for a residential gas range, it might be an attractive sales feature, even though it did not pop. But it would be a gimmick, following a trend. It may be that today, in the light of what is happening to both gas and electricity, their appliances are largely gimmicks.

THE room air conditioner opened up future vistas for both fields of research, because it was a new and basic application of energy to the American home. The heat pump and gas air conditioning are similar developments.

Postwar building costs have shown that the American home is capable of vast improvements in design, construction, comfort, laborsaving devices. Many specialists are engaged on its problems. Cooling in summer is a striking new idea. A combination of cooling and heating, at satisfactory equipment costs, is something for which an eager demand is growing up. To the home builder, with extended fuel savings over a future period, the investment could compare with a car. The greater the

efficiency of such equipment, as well as the lower its costs, the wider the potential market.

THIS is a prospect that goes beyond gimmicks, and is a major part of the gas industry's hard sell. A glance backward and forward, with a gas executive, William B. Tippy, is not only broadening, but inspiring.[1]

A period of more than 150 years past, and more than forty years to come, is covered by this survey, from 1800 to 2000. The investigation is in the broad field of our nation's energy of all kinds, as applied to our homes and industries. He warns that some factors are as yet not closely predictable—for example, our reserves of oil and natural gas are not yet fully known.

Natural gas has had a sudden boom, but that should not mislead anybody, because the fuel is only part of the total energy system, and is subject to price competition for every kind of use.

Population and its demand for energy are the yardsticks employed to gauge the future.

In 1800 the United States had less than six million people, fewer than now live in the Chicago metropolitan area. By the year 2000 it will probably have 278 million.

Until about 1840, our energy came almost entirely from wood, apart from human and animal muscle. Wood is still a greater resource than is thought, though diminishing.

Coal began to grow around 1840, for steam, and grew more when electricity was added in the 1890's. Hydroelectricity forms only a trifling percentage of the supply, about 1 per cent to date; while still growing, it may not exceed 1½ per cent.

Oil and natural gas became important energy sources about 1900, and coal began to decline about 1920. But Old King Coal will eventually come back to reign, and in a big way, as other sources diminish.

Our Fuel Future

ATOMIC power is today in the limelight, as the power source of the future, but Mr. Tippy estimates that it will not be important before 2000, and points out that it will be used to generate electricity, and that this energy source is only a small part of the total supply—it may be limited to between 10 per cent and 20 per cent of the whole.

In 1800 our economy was one of subsistence farming. It grew into an industrial city pattern as fewer farmers grew more food and fibers, technology developed factory products, man learned to work in organizations, and large supplies of relatively cheap energy were found. The world generally is following this pattern today, much of it in an illiterate as well as a muscle farming economy, but aspiring to the American standard.

Energy is used for three main purposes —comfort heating at home and at work, process heat for manufacturing, and power for work, in industry, and recently in the home.

Comfort heating is diminishing, not only because nearly everybody is warm, but because improved heating equipment does the job with less energy.

[1] "Where Does the Gas Industry Go from Here? A Speculation As to the Long-range Outlook," by William B. Tippy, president, Commonwealth Services, Inc., 300 Park avenue, New York 22, New York. A paper presented to the American Gas Association Chemical Engineering and Manufactured Gas Production Conference, Philadelphia, May 16-18, 1956.

Process heat remains fairly constant, its efficiency also having risen with improved equipment.

The main energy requirement is for work, including the mechanical servants that have replaced the hired girl.

While improved power plants have increased the efficiency of the energy system, its overall efficiency is diminishing. The future will require great increases in the volume of energy. As the kilowatt and Btu tend to perform no more work in themselves, in the best equipment, more sheer, raw energy will be needed in future years.

Where is it all to come from?

NATURAL gas reserves are not accurately known today. New fields may be discovered, deeper drilling and improved methods of recovery may increase the supply, but costs will also rise, eventually become prohibitive. Projected curves for both gas and oil run to a peak about 1975.

So, synthetic natural gas looms as a necessity of the not-too-distant future, and the American Gas Association, among others, has two processes under research. First, low-heat gas obtained from oil or coal, enriched with methane. Second, synthetic natural gas obtained by direct hydrogenation of coal. At present neither process yields really cheap fuel, but the researchers maintain that they are close to such results.

Natural gas pipelines will have reached every corner of the U. S. when they go down the Florida peninsula. Increases in the field price of gas have already begun to affect industrial users. Where heavy chemical manufacturers were yesterday building plants in Texas and Louisiana, to be near their natural gas, and aluminum production was growing on the hydroelectricity of the Pacific Northwest, today they are moving into the Ohio valley, where there is abundant low-grade coal for bulk energy. Curiously, back in the 1880's, aluminum started there, because coal was abundant.

Natural gas has no protected market. For cooking, refrigeration, and drying, it is in competition with electricity, for water heating with oil and electricity, for space heating with oil—coal is not a competitor here, because oil and gas have made push-button home heating most desirable. Electricity occupies most of the air-conditioning field today, but Mr. Tippy believes that gas has possibilities as a real competitor. For bulk industrial energy, gas competes with oil and coal.

ALL of this competition is on a price basis, and Mr. Tippy summarizes the total energy situation, present and future,

¶ "POSTWAR building costs have shown that the American home is capable of vast improvements in design, construction, comfort, labor-saving devices. Many specialists are engaged on its problems. Cooling in summer is a striking new idea. A combination of cooling and heating, at satisfactory equipment costs, is something for which an eager demand is growing up. To the home builder, with extended fuel savings over a future period, the investment could compare with a car. The greater the efficiency of such equipment, as well as the lower its costs, the wider the potential market."

as follows, with reservations on the unknown factors such as reserves:

Both natural gas and oil are declining in percentages of total energy.

Synthetic natural gas will be developed, from coal, shale, lignite.

Atomic energy may emerge as a major source, but requires a tremendous research exploration.

Some "surprise" sources may be developed, from solar energy, the tides, the winds, the earth's heat. Judging by recent discoveries in space exploration, there may be unsuspected sources of energy to be tapped. Nearer at hand are contemplated changes in motorcars, using different forms of fuel.

Nothing in the future is fixed or certain, but gas should have a place, in fact, a fine position, Mr. Tippy believes, if through research it can achieve higher space-heating saturations, to reduce its distribution costs, with synthetic fuel at reasonable prices. Time is of the essence, the race will be to the swift, and this appears to be the real hard sell.

Gas Must Dig in and Sell

GAS undoubtedly has a big merchandising job ahead. The other day, a Long Island utility company announced the discontinuance of its appliance business, stating that where a few years ago there were few retail outlets in its territory, today there are alert dealers everywhere, with display and sales facilities. The company will direct its advertising and promotion to these dealers, co-operate with plumbers, continue to make free heating surveys for home owners, prepare heating cost estimates—briefly, modernize its distribution from the days when it was necessary for the company to take on the missionary work in appliance selling. Since the coming of natural gas in that area, three times as many new houses have installed gas-heating facilities—more than seven in ten new homes are on its gas mains.

This company, like many others throughout the country, renders electric as well as gas service, which puts a different face upon the traditional battle between the services. Other gas companies are still in the period of appliance selling, undertaken when educational work was necessary in their areas, demand being too small to make a profitable business for dealers. So, merchandising presents different problems for different companies.

BEFORE a gas utility can turn over its appliance business to outside retailers, it must have built volume enough for dealers to make money. The rapid spread of pipelines has put many companies in this position.

When it turns over the selling, the company does not get out of it all, but will be busier than ever in appliance *promotion*. Prospects must be found for dealers to work on, dealers' sales people and installers trained, dealers' follow-up tactfully supervised, and the most successful ones backed up.

It means building a strong dealer-company team, and on any team there will be stars and scrub players.

The dealer is started out with some names of good prospects, people who have shown interest in gas appliances, leads such as the company's salesmen have been closing as customers. Such names are turned in by employees and customers, come from advertising, from home shows, domestic science classes—the successful

Markets for Natural Gas

"NATURAL gas pipelines will have reached every corner of the U. S. when they go down the Florida peninsula. Increases in the field price of gas have already begun to affect industrial users. Where heavy chemical manufacturers were yesterday building plants in Texas and Louisiana, to be near their natural gas, and aluminum production was growing on the hydroelectricity of the Pacific Northwest, today they are moving into the Ohio valley, where there is abundant low-grade coal for bulk energy. Curiously, back in the 1880's aluminum started there, because coal was abundant. Natural gas has no protected market."

dealer is shown how to get prospects for himself.

Until he is interested in the possibilities of gas appliance business, by making sales, or organized to get results with good names, he will need assistance. Company salesmen can train his installers as well as his sales people, for a properly installed gas appliance eliminates call backs and complaints, and makes friends for gas, friends turn in the names of friends—"Using the user" is the neat term for this.

As the dealer makes money in this new line, he will be interested in rearranging his store for displays and demonstrations; set up a gas kitchen, connect appliances for actual use. Gas company specialists can give him ideas here, assure him that, while this rearranging involves a considerable investment, results will come over a long period.

With a more interesting store, the dealer will want store traffic, people coming in, looking around, making impulse purchases, getting information for major purchases later on, visiting the place as a center for new appliances, telling their friends—traffic is a profitable thing in a number of ways.

Store traffic is casual. Large appliances do not attract it, but small ones do, and dealers add other merchandise to draw in the people, if only for a few minutes—kitchen tools, paints and decorating materials, do-it-yourself items. Casual demonstrations bring in women who watch something going on, something to learn, something to talk about, like an easy way to bake a cake.

Illuminating Developments

GAS is developing showmanship—almost going Hollywood! Despite what the ultramodern young generation may think, some cities still have gaslight in the form of old street lamps, and these are being dramatized to show that the fuel is still around, and that it has advantages of economy.

Philadelphia still has more than 7,500 gas lamps left, and though some are scheduled for conversion to electricity, others are being retained. Once upon a time the gaslighter was a picturesque figure, coming along with his torch at dusk. He got into literature, but, like other bygone characters, ran into rising costs. The city fathers found him too expensive, and so gas street lights were fitted with clocks that turned them on and off according to the sun.

These clocks have now been found expensive, though they needed winding only once a week, so in Philadelphia the gas company suggested that the street lights be allowed to burn continuously, which was cheaper—and good publicity.

"There—that's the way the city wastes the taxpayers' money!" exclaims the citizen who sees a street light burning in broad day, and the gas company has an opportunity to present some figures. One of Philadelphia's gas lamps costs around $54 a year for fuel and clock winding. The gas bill is doubled when the lamp is lit continuously, but that amounts to only $14. So the city is saving $40 a year on each gas lamp.

The gas company need not have old street lights in its territory to get this kind of publicity, because gas is used in various industries for emergency lighting in case of electric power failure. Pottery and brick products are dried by gas, and emergency gas lamps are often maintained for this purpose.

AN open challenge to electricity by gas has high publicity value, because conflict makes news, and everybody knows that these two services have been warring for many years.

A city that has been in the news lately, Little Rock, was picked out by the Arkansas Louisiana Gas Company for a startling challenge. Little Rock has 2,900 electric street lights, costing $16,000 a year. The gas company offered to replace them with a free gas lamp system, regarding such a conversion as a productive advertising expenditure. The city board did approve gas lamps in front of the city hall, and of course the offer registered with the voters, and presumably still stands.

This gas company also offered a "package," gas heating and air conditioning in the city hall, on a ten-year amortized basis that pays for all in the monthly gas bills. It is stated that such a "package" has been placed in every church in Arkansas.

Gas lighting has undoubtedly come back in the ring, with the discovery, the past few months, that there is a market for modernized "Welsbachs." Several manufacturers are making them, including a subsidiary of the corporation that made the Little Rock challenge. The mantles are now made of aluminum oxide, and have a soft glow that people like. These lamps were made by the dozen last year, but caught on immediately, and production is now in the hundreds of thousands, and gas companies over the country are promoting them. They could easily become a standard appliance for independent

dealers. They are being purchased for gardens, barbecue pits, airstrips, store attractions, and their novelty, but they are definitely something new in illuminants. Lit with a match, like the original gas lamps of other days, they burn about as much as a household range, 1,300 cubic feet per month when lit all day to eliminate lighting every evening. This would horrify our Grandads, of course—and the prices up to $50 even more so.

Sell Convenience—Not Price

THESE new gas lamps stress one important thing in selling gas—that while it is economical, people respond better to quality and convenience. "Cheap" is not a happy word even for the customer who is buying for that reason. She likes to be assured that she is buying time and laborsaving. So, in this field of selling, as in many others, the rule is "Trade up."

Every housewife asks herself four questions every day, according to advertising people who handle food accounts.

"What can I get for dinner, how is it prepared, what will it cost—and will they like it?"

These same questions arise in another area of the gas business—commercial cooking, and load can be increased—and protected—by utility sales and service people with technical answers.

More and more Americans are eating out. Besides restaurant business enumerated in the census, more than $15 billion a year, there are clubs, factory cafeterias, hospitals, and institutions. The suburban movement and extensions of factories increase the business in many territories.

The commercial caterer is confronted every day with the housewife's four questions. Prices of food are rising, food is perishable, he has sharp noonday or dinner peaks, a problem in labor scarcity and turnover.

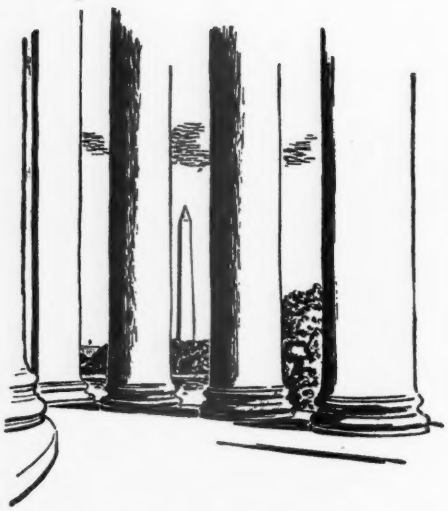
His kitchen is his manufacturing plant. Much of his food preparation has to be carried on there, in high rent space. Speedy cooking and table service during the rush hours enable him to increase his volume.

On top of it all, he has to *sell* against competition. If customers like his menus they come again; if not, go elsewhere. Even factory employees have to be considered saleswise, for there is nothing people grouse about quicker than food.

IT is charged that some gas utilities are taking this commercial cooking business for granted, a sort of inheritance, belonging to them by right. Promotion is urged, to serve, increase, and hold it.

The appliance setup is rather complicated. The restaurant man, investing in a new kitchen, or improving an old one, usually calls in a designer in that field. Ranges come from an appliance manufacturer, who has a representative in the locality, who deals with distributors in the hotel supply trade. All along the line, from research to developing better appliances, to preventing breakdowns in the kitchen, there are opportunities to assist the restaurant owner. The utility company has a small staff of specially trained people who keep track of every commercial kitchen in its territory, make periodical inspections to correct small defects, head off emergency trouble, bring operational ideas and information. Such a staff often includes a dietician.

Just another sector of the hard sell the industry faces today, on the heels of its phenomenal pipeline expansion.



Washington and the Utilities

Dead End for the FCC?

COMING on top of the baptismal of congressional fire to which it has been subjected the past year, the FCC is now faced with the demand of at least one Senator that it should be given the last rites. Senator William Proxmire (Democrat, Wisconsin) is the lawmaker who would abolish the controversial regulatory commission entirely—including the jobs of all seven of the commissioners.

Proxmire is reported to have stated in a mid-February interview that he plans to introduce a bill which would substitute a special federal court for the judicial functions now exercised by the seven-man FCC. Proxmire had not definitely reached a conclusion as to whether he would have three or five judges on his special court. (They would be lifetime judges.) But he would have them operate on a panel division basis—one judge for television, one for telephone and telegraph, one for radio, and so forth. It was not clear whether the decision of each of these specialized judges would be subject to a veto by the entire court *en banc*.

It will be a "few weeks," according to the Wisconsin Senator, before the bill will be introduced. As already noted, there are quite a few important details to be filled in. But, in any event, Proxmire is out to scuttle the FCC, as such. The administrative functions of the FCC would be taken over by a newly established Communications Administration. It would assume the routine work of the commission, such as filing, inspections, etc.

PROXMIRE had no quarrel with the present staff of the FCC, nor with its hearing examiners. He seemed to be perfectly willing to let the present setup of hearing examiners and bureaus continue under his proposed new arrangement for judges and single administrator taking over top-level responsibilities of the FCC. That is because the critical testimony and evidence so far brought out by the House Legislative Oversight Subcommittee has not produced any substantial criticism of the commission's staff or examiner setup.

But the unfavorable material which the House subcommittee has produced about the working of the FCC as a commission has, in the words of Senator Proxmire, "added fuel to my conviction" that a completely new arrangement is indicated.

Proxmire is reported to have said he felt "very strongly that it is very essential that the enormously powerful decision-making function of the FCC—which affects tens of millions—should be handled in the most judicial way and should be insulated as much as possible from political pressure."

Proxmire's bill, if and when it is introduced, would probably not get very far under its own steam. As for the junior Senator from Wisconsin, it would take some supplemental influence for such a measure to be taken seriously. But that influence may actually be forthcoming in the light of the fact that a somewhat similar ripper bill was ordered to be drafted about a year ago by Senator Warren G. Magnuson (Democrat, Washington), who is chairman of the Senate Interstate Commerce Committee. It was never introduced.

A DRAFT of Magnuson's bill, which is still smoldering in committee files, would abolish the FCC in favor of a Communications Administrator, charged with making all decisions. On top of that, there would be a special court of appeals of three judges to pass on all appeals from the decisions of the administrator. The essential difference between Magnuson's earlier ideas and Proxmire's latest proposal would appear to be that Magnuson thought in terms of a two-tier setup, whereas Proxmire would divide the duties horizontally between administrative and judicial functions.

Magnuson is still quite critical of the present status, not only of the FCC but other commissions as well. He was quoted early this year as saying, "We have just got to do something about those commissions." In any event, it can be reasonably expected that Proxmire's ripper bill will be taken up along with other reform measures by Magnuson's committee to which it would be referred. What will come out of the committee and what will be its subsequent fate remains to be seen.

Different Financing for REA Co-ops

THE Tennessee Valley Authority is not the only federal agency considering alternative plans for financing future expansion without putting the burden on the Treasury. The Rural Electrification Administration seems to be working along a parallel line. The idea would be to have the REA co-ops take some of their financing trade, indirectly at least, to private sources rather than directly from the federal government.

The Budget Bureau last month was reported trying to work out a plan whereby private funds could be used, in combination at least, to finance rural electric cooperatives. This would carry out an administrative objective of tapering off the direct federal subsidy to REA co-ops which now results from the continuation of the 2 per cent interest rate and other liberal loan terms and advantages. The implication that such a plan was being considered came when Agriculture Secretary Benson told a congressional committee that he had no intention of forcing the co-ops to go directly to private commercial financial sources for loans. Benson told the Agriculture Committee, however, that legislation would be proposed which would be "permissive" but which would put the government in a "secondary position" of assistance, if a co-operative decides to seek private funds for expansion.

What the administration is trying to do here is dodge the charge made last month at the national convention of the National Rural Electric Co-operative Association that REA is trying to force the co-ops to go to Wall Street for loans. According to informal reports, the plan under considera-

tion by the Budget Bureau would set up a federal revolving fund to take care of co-operative financing. This fund would include proceeds from the sale of government securities, as well as repayments by co-ops on existing loans.

The pool of such funds would then be available for additional loans to REA co-operatives. This would mean, of course, an increase in interest rates in a manner which would not require congressional approval. The co-ops would have to pay the rate of interest the government paid on its securities, plus a handling charge. This would probably come out at somewhat more than 4 per cent, as compared with the current interest charge of 2 per cent on statutory REA loans.

NRECA Fund Pool Deferred

THE aforementioned NRECA convention in Washington, D. C., last month decided to hold off on a plan by the NRECA staff to take charge of a "voluntary pool" of co-op financial reserves. NRECA, through its monthly magazine and otherwise, has been suggesting that REA co-ops should pool their reserve funds in a financial pool to be managed by the NRECA. Reserve funds of nearly 1,000 electric co-ops are now mainly invested in government securities.

According to NRECA, however, the co-ops could get a much higher return if they were pooled and invested. The NRECA convention decided to defer this voluntary investment pool plan. The idea was reserved for further study by NRECA's management committee. Probably the real reason for rejection of the plan is the bad public relations that would be engendered by disclosing the size of the reserve funds. The amount is estimated to be somewhere between $400 million and $600 million.

Doubtless the co-operatives could get a higher rate of return for their "surplus" or reserve funds than the 2 per cent which REA gets on the money it lends to the co-ops. Uncle Sam has to pay more than 3 per cent for such long-term obligation funds. As a matter of fact, REA has been taking a hard look at the possibility that REA co-ops can now simply borrow large amounts at 2 per cent and reinvest them at 4 per cent or more, making a profit on the transaction without any further effort. For this reason, the more affluent co-operatives have been warned that they should use more of their own money for expansion instead of repeatedly borrowing from the government at 2 per cent.

REA Administrator Hamil, in a recent interview, said some co-operatives are now strong enough financially to pay for part of their future expansion and equipment and should not be borrowing for those things they can afford to buy. Hamil emphasized, however, that REA will continue to meet all loan requests which are compatible with REA specifications. There will be no crackdown or shift in REA loan policy. Also, the REA head insisted, there would be no variation in REA lending policy even if Congress passes a bill stripping Agriculture Secretary Benson of his authority to veto the REA Administrator's loan decisions.

AEC to Push Atomic Power

THE Atomic Energy Commission gave the impression that it was prepared to loosen up some of its more cautious policies with respect to expanding its nuclear power program. John A. McCone, new AEC chairman, in appearing before the congressional Joint Atomic Energy Committee, pledged a more aggressive leadership of the commission to make nuclear power competitive with regular

power in high-cost areas within the next decade.

McCone testified in an atmosphere considerably friendlier than the one that formerly prevailed when his predecessor, Admiral Lewis L. Strauss, used to argue with the Congressmen about the AEC being "pushed" into the power business. McCone agreed that there had been a "number of major breakthroughs" in nuclear power development to make more government participation feasible.

McCone's objectives would be not only to get some competitive nuclear power in this country within ten years, but to help friendly nations with high energy costs achieve competitive atomic power in five years. It would also support a long-range program to reduce the cost of nuclear power even further while maintaining United States technological leadership in the field. To reach these objectives, McCone said the AEC would be responsible for all necessary work in Phase 1, or research and development.

THE new AEC undertaking meets some Democratic criticism that a lag in development had taken place when some private utilities began prototype construction and then dropped it after some years because of economic factors. The AEC would still leave construction of commercial nuclear units up to private industry, which is fearful of government ownership gaining a foothold.

Senator Anderson (Democrat, New Mexico), chairman of the Joint Committee, commended McCone for his "service" in "attempting to eliminate what I have called the phony public power issue in the atomic power debate." The chairman said he hoped "he may be persuaded to display the same open-mindedness on whether industry can and should build advanced atomic reactors in the same manner it builds conventional power plants."

McCone also laid before the committee a detailed AEC nuclear power program for the coming fiscal year. It included seven new projects to be initiated in the year beginning July 1, 1959. These would include the designing and start of construction on a prototype of an advanced boiling-water reactor, experimental organic-cooled reactor, experimental gas-cooled reactor, a small power plant, and process heat reactors.

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Niagara Land Bargaining

THE New York State Power Authority is preparing to take an appeal to the U. S. circuit court of appeals for the District of Columbia from the recent 3-to-2 decision of the Federal Power Commission turning down the authority's attempt to take over part of the Tuscarora Indian reservation for its proposed Niagara power reservoir. This development was seen in the move made by the authority to seek a rehearing by the FPC—always a preliminary step to a court appeal. It is in contrast with an ostensible move made early last month when the authority announced that it would abandon any further attempt to use part of the Indian reservation for the power reservoir, even though higher cost of electrical production would result.

The fact that the authority is still playing out its cards on the court appeal would indicate, however, that it would like to keep the dickering going on with the Tuscarora Indian tribe. The tribe turned down a $3 million offer for 1,383 acres several weeks ago. And so, notwithstanding a "celebration" by the Indians after the authority professed to be no longer interested in its lands, the guess is that there will be some more bargaining, fortified by continued litigation.

Telephone and Telegraph

Bell System to End Lease Maintenance

CONTROVERSY over whether Bell system companies should be permitted to render private mobile radio service to customers with their own frequencies on a lease-maintenance basis appears to be about ended. The controversy, which has raged for more than two years, originally involved such service on a private contract basis. Later on, after the Justice Department had ended its antitrust suit against Western Electric Company relations with the Bell system, American Telephone and Telegraph Company attempted to convert such lease-maintenance contracts into regulated utility service by filing tariffs with the FCC.

That was two years ago. Since then the FCC has delayed hearings after protests were made against the filing by rival manufacturers of mobile radio service, as well as the Justice Department. The protestants claim that the filing of such tariffs to cover private lease-maintenance mobile service was simply an evasive device to get around the terms of the 1956 consent decree. Under that decree Western Electric was permitted to continue as the manufacturing subsidiary of the Bell system on condition that it get out of the non-regulated communications or other non-regulated business by 1961.

Now the American Telephone and Telegraph Company has voluntarily decided to drop its battle to stay in the private mobile radiotelephone business. This does not mean that the Bell system will not continue to furnish "public" mobile radiotelephone service, as part of its regular telephone utility operations. The distinction lies in the earlier effort of the Bell companies to furnish lease-maintenance service on a contract basis, using the customers' own assigned radio frequencies. After 1961, however, the Bell companies will only render mobile radiotelephone service on a filed tariff basis via radio frequencies assigned to the telephone companies. The 1961 deadline was fixed in the consent decree and the interim will be used to let existing contracts run out or become adjusted.

THE company's decision to get out of the lease-maintenance mobile field was explained on grounds that the continued delay in deciding the case by the FCC made the private tariff arrangements too uncertain and confusing from the customer's point of view. The AT&T did not concede that the lease-maintenance business could not be converted to regular utility business by tariff filings.

In a letter to the FCC, dated February 10th, H. I. Romnes, American Telephone

and Telegraph Company vice president, said that steps are being taken to end the private mobile service via customer frequencies, affecting in all about 1,400 customers. U. S. government service of this kind will go on. Romnes also said that AT&T will withdraw the filed tariffs with the FCC, which were the basis for a contested proceeding (Docket No. 11972) and which will now probably be dismissed as "moot."

"The decision to withdraw from the lease-maintenance of private mobile radio systems," Romnes wrote, "is not to be understood as a decision that there is no place for a private line mobile radiotelephone service furnished by telephone companies as part of their overall common carrier service.

"Looking to the future, we hope to provide common carrier private line mobile radio services on common carrier frequencies licensed to us where there is a public demand that such services be furnished by the telephone companies. At the present time, however, no such general public offering can be made because of the lack of the necessary common carrier frequencies."

IN the field of public mobile service, he said, the Bell companies believe this service can be improved and expanded. A request for additional frequencies for this service is now pending before the FCC.

It was pointed out that the lease-maintenance tariffs filed with the FCC by the AT&T have been before the commission for two years with no prospect for an early decision even now. So, Bell apparently decided that its lease-maintenance customers were entitled to a prompt and definite understanding so that they may make satisfactory arrangements to meet their own mobile telephone needs.

Multibillion Budget for Bell System Expansion

BELL system spent $2.2 billion for construction in 1958, and expects to spend about the same during the current year, according to a recently released report to the stockholders. Frederick R. Kappel, president of AT&T, in his report to nearly 1,620,000 shareholders, said that the system had to sell "hard" many improvements which contributed greatly to service betterments, to telephone jobs, and to increased revenue and earnings. Actually, Bell system earnings were $14.01 a share, as against $13 in 1957 and $13.16 in 1956. The system is continuing to grow at a phenomenal rate.

For this reason, Mr. Kappel explained, the directors decided on a recent 3-to-1 stock split, expected to be approved at the April meeting of the stockholders. Every cent of the improved earnings in recent years has been necessary, Mr. Kappel said, to keep facilities and service growing and to support the research necessary for future operations. In fact, the complaint about low earnings in some areas is still hampering the company's ability to serve. The average Bell system taxes per telephone amounted to $3.18 a month during the past year, which was another reason for Mr. Kappel's repeated plea that Congress repeal the 10 per cent excise tax instead of turning part of it over to the states where it could become a permanent part of the state structure.

Altogether, the Bell system added 2.5 million telephones in 1958, bringing the total in service to some 54.7 million. In combination with the independent companies that meant over 66 million telephones in the United States during 1958. An increase of 5 per cent in long-distance conversations was also reported, with an 11 per cent increase in overseas conver-

sations—both as compared with 1957. Overseas service is now available to 125 countries and territories.

THE market for world-wide telephone communication is growing, Mr. Kappel said. A second transatlantic cable will be laid this summer. (The first went into service in 1956.) A cable to Puerto Rico will go into service early next year. Bell system research and development work last year was on a larger scale than ever before, Mr. Kappel said. The work included improved radio relay systems, cables, central office switching equipment, and other changes unseen by the public.

In the making also are new telephone services and instruments for customers. Scheduled for production this year are a new, smaller telephone; a home communication system that permits one to answer the doorbell from any phone in the house; and a new communication system for farms.

Telephone research and technology are also at work for the country's defense in many ways, the AT&T report emphasized. The Bell system has built a new network of telephone routes that bypass critical areas to insure that essential communications will be maintained in case of disaster.

Bell Laboratories has overall responsibility for the design of Nike missile systems and is now designing a new anti-missile missile, Nike Zeus. Western Electric, the manufacturing and supply unit of the Bell system, produces guidance and control systems for Nike Hercules. Western and Bell Laboratories are also working to provide communications for a new Ballistic Missile Early Warning System now under construction in the far North.

The AT&T president also cited the growing importance of microwave radio relay facilities in providing telephone services. More than 30 per cent of the nearly 63 million miles of long-distance channels, and two-thirds of the mileage added last year, are provided by radio relay systems. They provide all the new express routes and most of the other facilities which the Bell companies have built to bypass centers that are potential targets for enemy attack.

The third microwave radio relay route across the country was completed in January, 1959. Between Denver and Salt Lake City the Bell system has started to build another cross-country system of a new type which can handle 11,160 conversations at a time—more than three times as many as the type now in use.

Sale of Alaskan Communications

DEFENSE SECRETARY MCELROY asked Congress for authority to sell the government-owned Alaskan communications system, valued at $158 million. McElroy sent a bill to the House Armed Services Committee which would permit the Defense Department to negotiate, without advertising for bids, for disposal of "any or all" of the system to private industry.

He said in a letter which accompanied the bill that the government has attempted to get rid of the system off and on since 1913, but industry has been reluctant to buy it because of the large capital investment required and the small potential return. "However, the development of Alaska now has progressed to a point where the operation of a communications system would appear to be financially attractive to private enterprise," McElroy said.

"Furthermore, the citizens of the state of Alaska should not be dependent

on the military for necessary commercial communications," he said.

The Army, Air Force, and Federal Aviation Agency all own parts of the system, which handles commercial business as well as government traffic. McElroy said the cost of the system, minus depreciation, as of last July 1st was estimated at $158 million—including $135 million for the Air Force portion, $20.5 million for the Army, and $2.7 million for the FAA. The selling price, he said, could be fixed only after "an impartial, independent appraisal and subsequent negotiation."

McElroy said that before negotiations begin, all U. S. communications firms would be canvassed to determine which were interested. The Attorney General would review the contract before it was signed, he said. McElroy said the Interior Department's Alaska railroad owns some communications facilities, too, but these would not be sold since they are "an integral part" of the railroad operation.

Pittsburgh Phone Alarms

A NEW emergency telephone alarm system may replace the 75-year-old police call boxes and fireboxes in Pittsburgh. Pennsylvania Bell Telephone Company officials laid the proposal before the city council on February 11th. They cited these advantages of a telephone system:

Eliminates many false alarms which cost the Fire Department an estimated $50 each by recording voices of callers.

Speeds up reporting of fire and police calls.

Saves fire equipment by callers being able to give detailed information on type and extent of fire.

It was noted that London has had a modern telephone alarm system for ten years. Among U. S. cities which have installed such a system are Miami, Syracuse, Los Angeles, and New Haven. Under the present telegraph system, people "pull" a police call box or firebox. This sounds an alarm and punches out the location of the trouble on tape. In case of fire, all that fire officials know is the location. They may send out five pieces of equipment when only one is needed.

Under the proposed telephone system, a person calling for fire or police action would pick up a telephone and immediately contact a new emergency center which would have to be installed.

Reports could be made on fires, traffic accidents, ambulance requests, fallen wires, broken water mains, traffic tie-ups, robberies, and other activities in detail.

The trend was said to be toward telephone reporting. Last year, 4,190 or 65 per cent of the alarms were received by telephone in the Pittsburgh system. Of the remaining 1,744 alarms, almost half were false. The telephone company offered to make a cost study at its own expense. Among the questions city officials wanted answered are comparative cost and maintenance; whether it is good to have an alarm system under private operation.

Would Ban TV Commercials

THE House of Commons gave a formal first reading recently to a bill that would ban indiscriminate interruption of television programs by commercials. The bill was introduced by Laborite Christopher Mayhew.

The first of Britain's two television networks—the British Broadcasting Corporation (BBC)—is supported by license fees and does not allow advertising, but the independent television network (ITV) is permitted by act of Parliament to screen commercials between programs and "during natural breaks."

Financial News and Comment

By OWEN ELY

Showdown on Atomic Power Program

THE Edison Electric Institute recently released a 34-page, highly technical "Survey of Initial Fuel Costs of Large U. S. Nuclear Power Stations"—which appears to be one of the most searching and valuable inquiries of this kind yet produced. According to the table on pages 6 and 7 of this study, fuel costs per kilowatt-hour are estimated in the following range for plants now operating or under construction (by-product plutonium is assumed to be worth $30 a gram and if valued at $12 costs would be slightly higher):

Commonwealth Edison	2— 4.5 mills
Yankee Atomic	3— 6.5
Con. Edison	5—13.0
Detroit Edison	5—15.0
Duquesne	15—35.0

The various factors for which individual kilowatt-hour cost estimates were given are shown in the table on page 399 for the two cost extremes, Commonwealth *versus* Duquesne.

The following comment may be made on these estimated costs: (1) The net cost of fuel itself, including the value of the by-product plutonium, is at present dependent on government policy (possibly affected by considerations of national defense) rather than by commercial and competitive factors. (2) The cost of fabricating the "fuel" is by far the most expensive item, and future improvements in this area should have considerable influence on overall costs. (3) Atomic fuel cost (which might run as low as 2 mills at Commonwealth's Dresden plant) must be lower than production costs at competing fuel-burning plants in order to offset the higher construction costs of atomic power plants.

At present construction costs for atomic plants seem to be about double those of new fuel-burning plants, per kilowatt of output. The average production cost *per kilowatt-hour sold,* for all class A and B privately owned electric utilities, was 4.52 mills in 1957. (Measured against total output it might have been closer to 4 mills.) The American Electric Power System's fuel output cost averaged only 2.6 mills in 1957, but for New England Electric the cost was 7.6 mills, largely due to the high cost of transporting coal.

DEPARTMENT INDEX

	Page
Showdown on Atomic Power Program	398
Calendar of Proposed Utility Offerings	400
Table—Recent Wall Street Utility Brochures	402
Telephone Rate Increases (1958) Fell Short	403
Empire District Still Using Fast Depreciation	404
Table—Data on Electric Utility Stocks	404, 405, 406

FINANCIAL NEWS AND COMMENT

THERE continues to be a great deal of confusion over the program of the next few years for building new reactors. It was anticipated that, with the retirement of Admiral Strauss and the appointment of John A. McCone to head the AEC, there might be less friction between the commission and its legislative counterpart, the congressional Joint Committee now headed by Senator Anderson (formerly vice chairman). However, the recent attack on the AEC program by Senator Gore and Representative Holifield as "timid and pitifully small" points up the unavoidable differences in viewpoint between the two agencies. The commission is necessarily bound by budget considerations, and also by the Eisenhower "power partnership" policy; the committee is free of these considerations and leans toward bigger spending and greater federal participation.

Both agencies are, of course, anxious to hasten the day when atomic power will prove "competitive," and this goal now seems to be set at 1968. Notwithstanding the relatively low fuel cost figures shown by previous studies of General Electric, Commonwealth Edison, Pacific Gas and Electric, and the EEI Task Force, Mr. McCone has been quoted by *The New York Times* as stating that "a commission study shows that it will cost $330 million over a 14-year period to develop the boiling-water type reactor . . . to the point where it will produce economic power." Presumably, this estimate included past as well as future money and time, but clarification of the remark would be of interest.

THE AEC chairman's statement was designed to illustrate the heavy cost of developing any particular type of reactor from original conception to the stage of commercial competition, and to urge that the dozen different types of reactors now being constructed and studied for development should be curtailed, in order to concentrate on a smaller number of types.

The AEC program, as it now stands, would apparently require only $115 million for all new projects in fiscal 1959-60, including facilities to produce weapons as well as the new reactors—compared with an annual average of $300 million for new construction in the past four years. (Perhaps the commission has some unexpended funds to add to the budget figure.) The program calls for early construction of eight civilian nuclear reactors, six to be started in the next fiscal year. On the other hand, Senator Gore of the committee proposes to spend a billion dollars by 1965 (about $200 million per annum) to build one million kilowatt atomic power capacity. (The average cost of $1,000 per kilowatt would be about double the present maximum estimated construction cost per kilowatt.)

Two of the new AEC projects would be gas-cooled reactors (one to be built by a private group and another by the federal government). There would be an improved prototype boiling-water reactor, a reactor to provide heat for industrial processes, a

	Commonwealth	*Duquesne*
Cost of Fuel, Less Plutonium Credit	Cr .52	.62
Fuel Fabrication Cost	2.20	26.47
Spent Fuel Processing	.53	1.04
9% on Capital Cost for Core Fabrication Investment, etc.	.74	2.70
4% on Investment Cost for Annual Fuel Material Lease	.40	.52
Cost of Replaceable Core Controls and Structures	.14	2.13
Total Fuel Costs	3.49	33.48

small reactor for rural co-ops, and a new type reactor to be cooled by organic fluid. On the other hand, the AEC would drop these projects: a 100,000-kilowatt modified heavy-water reactor, a small-scale pressurized-water reactor, a sodium-cooled reactor, and several other experimental types.

A STUDY prepared by the congressional staff of the Joint Committee, which was perhaps the basis for Senator Gore's bill, would call for design studies for 21 reactor plants of many types during the next five to seven years at a total cost of about $875 million. On the other hand, Senator Anderson seems to be in agreement with the AEC regarding the dangers of spending too much money on big plants at this juncture; he would apparently limit prototype plants to 100,000 kilowatts.

However, according to Dow-Jones, he also favors their construction at remote spots, with the government using all the available power—thus bypassing the dispute over public *versus* private power. After these prototype plants have been tried out, the private utility industry could then step in and build larger plants, with the help of government subsidies. Both the AEC and committee appear in agreement as to a target date of 1968 for achieving competitive power.

IN addition to the programs described above, there is the one suggested by the

CALENDAR OF PROPOSED UTILITY OFFERINGS
March 1-May 31, 1959

Date of Bidding Or Sale	*Approx. Amount (Mills.)*		*Method of Offering*	*Moody Rating**
		Bonds		
Mar. 10	$25	Northern Indiana Public Service	C	Aa
Mar. 24	25	Cleveland Electric Illuminating	C	Aaa
Mar. 30	25	Ohio Power	C	Aa
Mar. 31	16	Monongahela Power	C	A
Mar.	20	Montana Power	C	Aa
Mar.	33	Colorado Interstate Gas	N	A
April 2	7	Gulf Power	C	A
April 14	11	Central P. & L.	C	A
April 15	14	Wisconsin P. & L.	C	A
April 30	20	Alabama Power	C	A
April	8	Hawaiian Electric	N	A
May 26	15	West Penn Power	C	Aa
May 28	25	Southern Electric Generating	C	—
May	30	Public Service of Colorado	—	Aa
May	6	Interstate Power	—	A
May	16	Southwestern Electric Power	C	—
May	20	Kansas City P. & L.	C	Aaa
May	5	Missouri P. & L.	C	A
		Preferred Stocks		
Mar. 19	15	Texas Eastern Transmission	N	—
Mar.	12	Colorado Interstate Gas	N	—
April 22	2	Brockton Edison	C	—
April	8	Louisiana P. & L.	C	—
May	4	Interstate Power	—	—
		Common Stocks—Subscription Offerings		
Mar. 3	8	Pacific P. & L.	C	—
Mar. 4	4	Eastern Utilities Associates	—	—
April	35	Columbia Gas System	—	
		Common Stocks—Offered to Public		
Mar. 31	7	California Electric Power	C	

C—Competitive. N—Negotiated. *Preliminary rating, or rating of simliar issue of same company.

"Ad Hoc Committee on Reactor Programs and Policy"—an AEC advisory group whose 68-page report was recently released by the commission under the designation TI-57 (B-4). The committee proposed AEC spending of about $250 million or more a year, plus research contributions—about half for general research and the other half for building of reactors. This would provide about one million kilowatts within seven years. About $150-200 million would be spent by the federal government, the balance by the utilities.

The committee felt that sufficient development is now being made of pressurized-water and boiling-water reactors, and "we doubt that the construction of additional large-scale reactors in itself advances the arts sufficiently to justify the AEC in financing such construction." Hence the AEC should concentrate on developing improvements in the various elements affecting fuel-cycle costs—reducing the cost of fabricating fuel elements, increasing irradiation levels, etc. Since water-cooled reactors use steam at relatively low pressures compared with modern utility practice, work on nuclear "superheat" is important, and in this connection pressure-tube designs may have substantial promise for large nuclear power plants, the committee felt.

THE present AEC program includes two projects involving heavy water-cooled reactors of the pressure-tube type —the plutonium recycle test reactor at Hanford and the Carolinas-Virginia nuclear power plant—while two other projects would also use pressure-tubes. Assuming that these projects are carried to completion, the committee thinks enough attention will be devoted to the pressure-tube design. The committee felt that use of heavy water is advantageous, in spite of its high cost, because of low neutron absorption, and that work should continue to develop reactors (principally for use abroad) using heavy water and natural uranium. Canada is working along this line and an international research program, sponsored by the AEC, should be carried out.

The utility industry is already building reactors employing boiling-water, pressurized-water, metal-cooled, and fast-breeder concepts; the new prototypes about which discussion now centers are the gas-cooled, organic-moderated, and heavy-water reactors. Last year the AEC asked the utilities to set up a gas-cooled reactor project and in November a group of more than fifty utilities headed by Philadelphia Electric was formed under the name "High Temperature Reactor Development Associates, Inc." HTRDA proposes to build a 40,000-kilowatt high-temperature gas-cooled reactor costing about $25 million to be ready in 1962 or early 1963. According to an EEI statement, the plan "may provide a short cut to the goal of economic nuclear power." The group represents the largest number of utilities to support any single project. (One hundred twenty-nine utilities now participate in one or more of 28 development, construction, or study groups.)

THE new proposal must be approved by both the commission and the congressional committee, and there is some conjecture that the committee would prefer to have the government build the plant. It is reported that in order to "sell" the committee on Philadelphia Electric's helium-cooled plant, the AEC is now proposing construction of a second, more conventional gas-cooled plant designed by Kaiser engineers and ACF Industries. The $35 million cost of the latter plus the $15 million research contribution for the PE plant would come within the $51 million

already authorized by Congress for a gas-cooled plant.

The AEC and the Carolinas-Virginia Nuclear Power Associates have reached an agreement on construction of a 17,000-kilowatt reactor to be built in South Carolina. The utility companies—Duke Power, South Carolina E&G, Carolina P&L, and

RECENT WALL STREET UTILITY BROCHURES*

Company Analyses	*Firm*	*No. of Pages*	*Month Issued*
American Tel. & Tel.	David J. Greene & Co.	10	Sept.
American Tel. & Tel.	Baker, Weeks & Co.	6	Oct.
American Tel. & Tel.	Theodore Tsolainos & Co.	4	Oct.
American Tel. & Tel.	Hirsch & Co.	4	Oct.
American Tel. & Tel.	McDonnell & Co.	4	Dec.
Anglo-Canadian Tel. Co.	Arnott, Baker & Co., Inc.	3	Jan.
Anglo-Canadian Tel.	New York Hanseatic Corp.	2	Sept.
Arizona Public Service	Reynolds & Co.	4	Dec.
Brooklyn Union Gas	Newburger, Loeb & Co.	2	Oct.
Canadian International Pr.	Sutro & Co.	2	Sept.
Cincinnati Gas & Elec.	Argus Research Corporation	2	Nov.
Citizens Utilities Co.	Mabon & Co.	3	Oct.
Citizens Utilities Co.	Walston & Co., Inc.	3	—
Cleveland Elec. Illum.	Argus Research Corporation	2q	Dec.
Florida Power & Light	Argus Research Corporation	2	Jan.
General Telephone	Reynolds & Co.	1	Oct.
Illinois Power Co.	First Boston Corp.	8	Nov.
Illinois Power	Argus Research Corporation	2	Jan.
Indianapolis P. & L.	First Boston Corp.	8	Nov.
Long Island Lighting	Shearson, Hammill & Co.	1	Sept.
Montana Power	Argus Research Corporation	2	Dec.
National City Lines	Ira Haupt & Co.	2	Jan.
New York State E. & G.	Argus Research Corporation	2	Oct.
Niagara Mohawk Power	Argus Research Corporation	2	Oct.
Northern Illinois Gas	Argus Research Corporation	2	Oct.
North. Ontario Nat. Gas	Hemphill, Noyes & Co.	9	—
Northern States Power	Hayden, Stone & Co.	2	Dec.
Pacific G. & E.	Eisele & King, Libaire, Stout & Co.	1	Oct.
Pennsylvania P. & L.	Argus Research Corporation	2	Oct.
Quebec Power	Canadian Business Service	4	Dec.
Rochester G. & E.	Fahnestock & Co.	2	Oct.
Rochester G. & E.	Auchincloss, Parker & Redpath	2	Jan.
Scranton-Springbrook Water Service Co.	G. A. Saxton & Co., Inc.	2	Dec.
Southern Calif. Edison	Argus Research Corporation	2	Nov.
Southern Co.	Argus Research Corporation	4	Sept.
Southern Nevada Power	G. A. Saxton & Co., Inc.	2	Nov.
South Jersey Gas	Reynolds & Co.	1	Nov.
Tabulations, General Studies, Etc.			
Public Utilities Bulletin	Eastman Dillon, Union Securities Co.	11	Feb.
Public Utility Common Stocks	R. W. Pressprich & Co.	6	Nov.
Utility Growth Stocks	Carl M. Loeb, Rhoades & Co.	20	Feb.
Electric Utility Co. Common Stocks	Smith, Barney & Co.	8	Dec.
Comments on Elec. Utilities	Sutro & Co.	1	Dec.
Natural Gas—Continued Growth Ahead	Reynolds & Co.	4	Jan.
Electric Utilities in the Southwest	Goodbody & Co.	12	Oct.
Electric Utilities Common Stocks for Income	Goodbody & Co.	1	Oct.
Investment Opportunities in Electric Utility Stocks	Shearson, Hammill & Co.	2	Nov.
Comparison of Natural Gas Companies	Shearson, Hammill & Co.	8	Aug.
Electric Utilities as "Assured Growth Industry"	Goodbody & Co.	10	Sept.
Small Elec. Utility Cos.	Foster & Marshall	8	Sept.
Public Utility Stocks—Growth Type	R. W. Pressprich & Co.	2	Sept.
Selected Values in Electric Utilities	A. G. Becker & Co., Inc.	8	Sept.

*This list is published several times a year, the last previous one being in the October 23, 1958, issue.

Virginia E&P—will pay the $22 million construction costs and AEC will contribute $15 million for research and free atomic fuel and heavy water. It will be a pressurized-water reactor using slightly enriched uranium and heavy water.

Telephone Rate Increases (1958) Fell Short

BECAUSE of their heavier labor burden, the telephone companies are affected in greater degree by rising wage rates and fringe benefits than are the electric utility companies. The Bell system has some 725,000 employees (including Western Electric and Bell Laboratories), probably considerably more than the entire electric utility industry. Based on the very meager wage data available, it looks as though telephone companies have to spend between 40 and 50 per cent of their revenue dollar for wages and fringe benefits, while the electric utilities need only allocate about 17 per cent. While the figures may not be accurate, at least they demonstrate that telephone companies are much more vulnerable to inflationary wage increases than other utilities (excepting transit, of course).

Hence it has been necessary for the telephone companies to seek rate increases to offset rising costs, to a greater degree than the electric utilities. The Bell system last year obtained rate increases amounting to $87 million per annum (equivalent to only about 1.3 per cent of revenues); some $26 million of additional increases are pending, and other requests will be made later this year.

GENERAL TELEPHONE CORPORATION, the second largest system handling about 5 per cent of the nation's telephone business compared with Bell's 85 per cent, has a similar setup. In its recent proxy statement, General reported that it had obtained rate increases aggregating about $31 million during the years 1953-57; it is understood that in 1958 the company received about $10 million in increases on an annual basis or about 3.1 per cent of revenues. In 1959 General hopes to secure somewhat larger proportionate increases.

In 1958 telephone rate decisions apparently accounted for nearly half of all the utility cases compared with about one-third in 1957. Both Bell and General have been seeking a return of 7 per cent or more on the rate base, but have been only mod-

State	*Return Allowed*	*Type of Rate Base*	*Was Equity Ratio Decreased In Revised Capital Setup?*
California	6.75%	Original Cost	—
Idaho	6.35	" "	—
Maine	6.0	Investment	Yes
Maryland	6.25	Fair Value	—
Massachusetts	6.45	Investment	Yes
Michigan	6.6	"	—
Minnesota	6.0	Fair Value	Yes
Montana	5.56	" "	"
New Jersey	6.2*	Original Cost	—
North Dakota	6.38	Indeterminate	—
South Dakota	5.80	Investment	—
Utah	6.25	"	Yes
"	6.1	Original Cost	"
Washington	6.1	" "	—
West Virginia	6.35	" "	Yes
Wisconsin	6.10	Investment	—

*Approximate.

erately successful in gaining this objective. In 1958 Bell subsidiaries obtained the rates of return shown in table on page 403, according to an incomplete compilation by Arthur Andersen & Co.

More recently (in December, January, and February) Bell subsidiaries have obtained a return of 6.16 per cent on "reproduction cost new less existing depreciation" in Ohio; a return of 6.35 per cent on adjusted net book cost in Oregon; and 6.75 per cent on investment in Wyoming. It should be emphasized, however, that rate of return does not mean a great deal unless the make-up of the rate base is carefully studied, since a high return on a very low rate base might be the same as a moderate return on a reasonable rate base.

General Telephone's subsidiaries seem to have fared a little better comparatively. In 1958 the California commission allowed 7.1 per cent on original cost, and in Idaho 6.75 per cent to 7 per cent was granted on original cost. Among the other independent telephone companies, Rochester obtained 6.2 per cent on investment in New York, and in North Carolina Carolina Telephone & Telegraph received 5.79 per cent on fair value, smaller independents obtaining 6 per cent.

Empire District Still Using Fast Depreciation

Referring to our comment on "Flow Through *versus* Normalization of Tax Savings" in the January 1st issue (page 42) the statement that Empire District Electric had decided to end the use of accelerated depreciation was incorrect. The company is still using accelerated depreciation and normalizing, under accounting orders from the public service commission of Missouri and the corporation commission of Kansas, even though the public service commission of Missouri in its 1958 rate order would not allow normalizing for rate-making purposes. The situation is confused by the fact that in the 1958 rate order the corporation commission of Kansas did allow normalizing for rate purposes.

DATA ON ELECTRIC UTILITY STOCKS

Annual Re- (Mill.)			*2/18/59 Price About*	*Dividend Rate*	*Approx. Yield*	*Recent Share Earns.*	*% Increase*	*Aver. Incr. In Sh. Earns. 1953-58*	*Price-Earn. Ratio*	*Div. Payout*	*Approx Common Stock Equity*
$297	S	American Elec. Power	50	$1.68	3.4%	$2.30De	2%	9%	21.7	73%	33%
50	O	Arizona Public Service ...	37	1.20	3.2	*1.89Se	2	x7	*19.6	63	27
11	O	Arkansas Mo. Power	22	1.00	4.5	1.34Se	3	x2	16.4	75	32
36	S	Atlantic City Electric	41	1.50	3.7	1.92De	6	10	21.4	73	30
153	S	Baltimore Gas & Elec.	46	1.80	4.0	2.39De	3	8	19.2	75	43
7	O	Bangor Hydro-Elec.	41	2.00	4.9	2.52De	14	5	16.3	80	36
6	O	Black Hills P. & L.	34	1.44	4.2	2.42Oc	15	4	14.0	60	32
109	S	Boston Edison	61	2.80	4.6	3.55De	14	4	17.2	79	43
24	A	Calif. Elec. Power	22	.80	3.6	*1.14De	24	6	*19.3	70	28
23	O	Calif. Oreg. Power	38	1.60	4.2	1.91F	D16	x2	19.9	84	35
8	O	Calif. Pac. Util.	36	1.60	4.4	2.17De**	D5	20	16.6	74	30
67	S	Carolina P. & L.	38	1.32	3.5	2.01Ja	7	7	18.9	66	40
32	S	Cent. Hudson G. & E.	19	.80	4.2	1.17De	5	6	16.2	68	36
23	O	Cent. Ill. E. & G.	33	1.44	4.4	2.08De	6	4	15.9	70	43
37	S	Cent. Ill. Light	37	1.40	3.8	1.99De	D3	9	18.6	70	34
53	S	Cent. Ill. P. S.	41	1.76	4.3	2.57De	4	16	16.0	68	40
17	O	Cent. Louisiana Elec.	47	1.80	3.8	2.21De	2	8	21.3	81	33
38	O	Cent. Maine Power	27	1.40	5.2	*1.65De	D10	3	*16.4	85	32
137	S	Cent. & South West	58	1.80	3.1	2.54De	5	10	22.8	71	40

Annual Rev. (Mill.)		(Continued)	2/18/59 Price About	Dividend Rate	Approx. Yield	Recent Share Earns.	% Increase	Aver. Incr. In Sh. Earns. 1953-58	Price-Earn. Ratio	Div. Payout	Approx. Stock Common Equity
12	O	Cent. Vermont P. S.	21	1.00	4.8	*1.33De	28	11	*15.8	75	35
128	S	Cincinnati G. & E.	35	1.50	4.3	1.85De	D8	4	18.9	81	43
7	O	Citizens Util. "B"†	26	1.00	3.8	1.25Se	7	x7	20.8	80	40
119	S	Cleve. Elec. Illum.	48	1.60	3.3	2.60De	D1	6	18.5	62	50
6	O	Colo. Cent. Power	39	1.32	3.4	1.99De	20	6	19.6	66	41
44	S	Columbus & S. O. E.	38	1.60	4.2	2.01N	D23	x5	18.9	80	30
380	S	Commonwealth Ed.	59	2.00h	5.4h	3.16N	9	x5	18.7	63	40
14	A	Community Pub. Serv.	25	1.00	4.0	1.32De	1	5	18.9	76	44
78	O	Conn. Lt. & Pr.	24	1.10	4.6	*1.41De	16	5	*17.0	78	39
582	S	Consol. Edison	63	2.80	4.4	*3.74De	9	5	*16.8	75	38
221	S	Consumers Power	58	2.40	4.1	3.15De	D5	0	18.4	76	37
78	S	Dayton P. & L.	57	2.40	4.2	3.33Se	8	x2	17.1	72	38
49	S	Delaware P. & L.	58	2.10	3.6	2.81Se	1	x12	20.6	75	30
251	S	Detroit Edison	44	2.00	4.5	2.19Ja	D16	3	20.0	91	44
136	A	Duke Power	48	1.40i	3.0	2.02Se	15	x15	23.8	68	47
99	S	Duquesne Light	26	1.10	4.2	*1.40De	3	5	*18.6	80	34
33	O	East. Util. Assoc.	40	2.20	5.5	2.74De	11	2	14.6	80	34
16	O	El Paso Elec.	34	1.16	3.4	1.57De	11	10	21.6	74	37
12	S	Empire Dist. Elec.	25	1.20	4.8	1.61De	8	3	15.5	75	32
52	S	Florida Power Corp.	28	.72	2.6	1.22Se	37	x13	23.0	59	34
131	S	Florida P. & L.	91	1.64	1.8	3.51De	18	26	25.9	47	39
183	S	General Pub. Util.	48	2.12	4.4	*3.08De	2	7	*15.6	69	41
7	O	Green Mt. Power	20	1.00	5.0	1.41De	30	12	14.2	71	37
19	S	Gulf States Util.	58	1.80	3.1	2.57De	14	7	22.6	70	35
51	A	Hartford E. L.	69	3.00	4.3	*4.08De	D6	5	*16.9	74	36
25	O	Hawaiian Elec.	54	2.50	4.6	3.05De**	D3	8	17.8	82	38
87	S	Houston L. & P.	72	1.60	2.2	2.94De	7	9	24.5	54	42
30	S	Idaho Power	47	1.60	3.4	2.56De	15	10	18.4	63	34
87	S	Illinois Power	39	1.50	3.8	2.10De	8	10	18.6	71	34
46	S	Indianapolis P. & L.	39	1.50	3.8	2.12Se	3	x7	18.4	70	35
26	S	Interstate Power	19	.85	4.5	1.08Se	3	x2	17.6	79	31
36	S	Iowa Elec. L. & P.	37	1.60	4.3	2.07N	—	x5	17.9	77	38
41	S	Iowa-Ill. G. & E.	38	1.80c	4.7	2.41Se	D7	x3	15.8	75	38
41	S	Iowa Power & Light	35	1.60	4.6	2.03De	D2	1	17.2	79	34
34	O	Iowa Public Service	18	.80	4.4	1.13De	2	8	15.9	71	35
14	O	Iowa Southern Util.	30	1.36	4.5	1.95De	2	4	15.4	70	40
61	S	Kansas City P. & L.	52	2.20	4.2	3.05De	4	5	17.0	62	37
32	S	Kansas G. & E.	41	1.48	3.4	2.52De	8	9	16.3	59	30
50	S	Kansas Power & Light	31	1.36l	4.4	2.10De	2	12	14.8	65	34
39	O	Kentucky Util.	36	1.52	4.2	2.36Se	15	x3	15.3	64	36
7	O	Lake Superior D. P.	26	1.20	4.6	1.57Se	D2	x3	16.6	76	39
110	S	Long Island Lighting	31	1.20	3.9	1.62De	13	8	19.1	74	34
61	S	Louisville G. & E.	42	1.30	3.1	2.22De	22	7	18.9	59	42
10	O	Madison G. & E.	49	1.80	3.7	3.46Se	D19	x11	14.2	52	44
5	A	Maine Pub. Service	24	1.16	4.8	1.55De	16	7	15.5	75	39
6	O	Michigan G. & E.	65	1.70j	5.6	4.51Se	12	x8	14.4	38	40
183	S	Middle South Util.	45	1.80	4.0	2.61De	8	5	17.2	69	39
30	S	Minnesota P. & L.	35	1.60	4.6	2.30Ja	D9	3	15.2	70	33
3	O	Miss. Valley P. S.	27	1.40	5.2	2.12N	D2	x3	12.7	66	32
15	S	Missouri Pub. Serv.	20	.72f	5.6	.91De	D10	3	22.0	79	28
7	O	Missouri Util.	26	1.36	5.2	1.65De	D6	0	15.7	82	33
44	S	Montana Power	70	2.00	2.9	*3.96De	5	10	*17.7	51	39
159	S	New England Elec.	21	1.00	4.8	1.29De**	6	2	16.3	78	34
46	O	New England G. & E.	22	1.10	5.0	1.60De**	6	7	13.8	69	41
89	S	N. Y. State E. & G.	55	2.30	4.2	*3.90De	29	11	*14.1	59	37
255	S	Niagara Mohawk Power	40	1.80	4.5	*2.15Oc	18	—	*18.6	84	28
92	O	Northern Ind. P. S.	51	2.00	3.9	2.77De	D10	3	18.4	72	36
148	S	Nor. States Power	24	1.00	4.2	1.29De	3	3	18.6	77	33
10	O	Northwestern P. S.	22	1.00	4.5	1.43Se	7	x0	15.4	70	27
136	S	Ohio Edison	64	2.64	4.1	3.60De	D1	3	17.8	73	41
50	S	Oklahoma G. & E.	32	1.00	3.1	1.45De	14	10	22.1	69	30
21	O	Orange & Rockland Utils.	24	.90	3.8	*1.29De**	3	22	*18.6	70	26
17	O	Otter Tail Power	32	1.60	5.0	2.34De	6	1	13.7	68	30
535	S	Pacific G. & E.	64	2.60	4.1	3.74De	10	7	17.1	70	34
52	O	Pacific P. & L.	41	1.60	3.9	*2.40De	17	9	*17.1	67	30

Annual Rev. (Mill.)		(Continued)	2/18/59 Price About	Dividend Rate	Approx. Yield	Recent Share Earns.	% Increase	Aver. Incr. In Sh. Earns. 1953-58	Price-Earn. Ratio	Div. Payout	Approx. Common Stock Equity
131	S	Penn Power & Lt.	56	2.50	4.5	3.22De	—	2	17.4	78	30
236	S	Phila. Elec.	51	2.24	4.4	*2.76De	6	4	*18.5	81	39
36	O	Portland Gen. Elec.	29	1.20	4.1	1.82N	6	x8	16.0	66	37
69	S	Potomac Elec. Pr.	29	1.20	4.1	*1.55Se	NC	x3	*18.8	77	32
91	S	Pub. Serv. of Colo.	49	1.90k	3.9	2.46Se	D13	x7	20.0	77	36
322	S	Pub. Serv. E. & G.	41	1.80	4.4	2.14De	D6	4	19.2	84	34
79	S	Pub. Serv. of Ind.	47	2.10	4.5	2.90N	7	x3	16.2	72	38
32	O	Pub. Serv. of N. H.	20	1.00	5.0	1.23N	D10	x6	16.3	81	36
13	O	Pub. Serv. of N. M.	28	.80g	2.9	1.32Se	15	x8	21.2	61	35
27	S	Puget Sound P. & L.	35	1.44	4.1	*1.97De	8	12	*17.8	73	50
65	S	Rochester G. & E.	42	1.80	4.3	2.58De	14	3	16.3	70	37
8	S	St. Joseph L. & P.	32	1.50	4.7	1.91De	D7	2	16.7	79	32
59	S	San Diego G. & E.	27	.98	3.6	1.32De	D5	3	20.5	74	35
11	O	Savannah E. & P.	30	1.00	3.3	1.46De	7	5	20.5	68	33
11	O	Sierra Pacific Pr.	35	1.40	4.0	1.94De	—	10	18.0	72	32
217	S	So. Calif. Edison	60	2.60	4.3	3.64Oc	NA	xD	16.5	71	33
46	S	So. Carolina E. & G.	34	1.20	3.5	1.89N	22	x15	17.9	63	35
7	O	Southern Colo. Pr.	21	.90	4.3	1.52N	15	9	13.8	59	38
255	S	Southern Co.	35	1.30	3.7	1.81De	10	9	19.3	72	32
19	S	So. Indiana G. & E.	35	1.60	4.6	2.42De	3	3	14.5	66	37
7	O	So. Nevada Power	26	1.00	3.8	1.55N	3	x9	16.8	65	40
3	O	Southwestern E. S.	18	.64	3.6	.95N	7	x6	19.0	67	27
44	S	Southwestern P. S.	41	1.48	3.6	1.82De	3	4	22.5	81	36
32	A	Tampa Elec.	44	1.20	2.7	1.78De	8	10	24.7	67	33
155	S	Texas Utilities	64	1.76	2.8	2.73N	8	x13	23.4	64	40
42	S	Toledo Edison	17	.70	4.1	1.12De	11	4	14.3	63	31
16	O	Tucson G. E. L. & P.	28	.76	2.7	1.12De**	—	12	25.0	68	35
129	S	Union Elec. of Mo.	35	1.52	4.3	*1.77De	5	6	*19.8	86	32
36	O	United Illuminating	30	1.38	4.6	1.65Oc	4	x2	18.2	84	48
6	O	Upper Peninsula Pr.	32	1.60	5.0	1.78N	—	x8	17.4	90	31
43	S	Utah Power & Light	37	1.20	3.2	1.75De	D4	7	21.1	69	42
140	S	Virginia E. & P.	36	1.10	3.1	1.66De	8	17	21.7	66	39
31	S	Wash. Water Pr.	45	2.00	4.4	*2.33De	D5	6	*19.3	86	36
140	S	West Penn Elec.	38	1.50	3.9	2.25De	3	6	16.9	67	32
77	O	West Penn Power	58	2.40	4.1	3.27Se	D1	x6	18.0	73	36
12	O	Western Lt. & Tel.	41	2.00	4.9	2.81N	2	x7	14.6	71	38
28	O	Western Mass. Cos.	53	2.20	4.2	3.34De	4	13	15.9	66	50
114	S	Wisc. Elec. Pr. (Cons.)	39	1.60	4.1	2.12De	D12	1	18.4	75	36
43	O	Wisconsin P. & L.	32	1.36	4.3	2.03De	2	4	15.8	67	40
40	S	Wisconsin P. S.	27	1.20	4.4	1.74Oc	6	x5	15.5	69	38
		Averages			4.1%		5%	7%	18.2	72%	
		Foreign Companies									
215	S	Amer. & Foreign Power	18	$1.00	5.6%	$1.98Se	14%	x0	9.1	51%	44%
170	A	Brazilian Traction	6½	.25	3.8	1.52D'57	D30	x0	4.3	16	75
75	A	British Col. Pr.	39	1.40	3.6	2.33D'57	—	15%	16.7	60	28
20	O	Calgary Power	88	2.00	2.2	4.55N	16	x24	19.3	44	27
18	A	Gatineau Power	40	1.50	3.8	2.39D'57	5	x10	16.7	63	33
42	O	Mexican L. & P.	14	1.00b	7.1	1.96D'57	17	x24	7.1	51	46
14	A	Quebec Power	39	1.60	4.1	2.17D'57	8	x14	18.0	74	53
63	A	Shawinigan Water & Pr.	33	.68	2.1	1.48D'57	5	x26	22.3	46	37

*Deferred taxes resulting from liberalized depreciation are not normalized. If they had been normalized the price-earnings ratio would be higher. **On average shares. †Stock dividends (only) are paid on the "A" shares. x—Average increase in share earnings 1952-57. D—Decrease. NC—Not comparable. A—American Stock Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. Ja—January; F—February; Ma—March; Ap—April; My—May; Je—June; Jy—July; Au—August; Se—September; Oc—October; N—November; De—December. b—Also 5 per cent stock dividend May 1, 1958. c—Also 5 per cent stock dividend March 10, 1958. f—Also stock dividend of one-half per cent quarterly. g—Also 5 per cent stock dividend July 1, 1958. h—Also 2 per cent stock dividend November 20, 1958, included in the yield. i—Also 15 per cent stock dividend January 29, 1959. j—Also 3 per cent stock dividend (paid each year end) included in yield. k—Also 5 per cent stock dividend payable February 20, 1959. l—Includes 6 cents extra.

What Others Think

British Nationalization under an Expert's Glass

As a Manchester Grammar School student in 1911 and later as an Oxford undergraduate, R. Kelf-Cohen developed an early zeal for public ownership of British utilities. There was magic in the words "public board" or "public corporation," conjuring up a crusader's vision of selfless men of outstanding competence and dedication, in contrast with a picture of drab and prosaic, if not degenerate, Capitalism. That was the all-too-popular view of private-management-for-profit in those days. Kelf-Cohen was later to become an official in the British Ministry of Power. So we can see that his early ideal stayed with him to the point of influencing his career as a government economist and administrator.

The British telephone industry had already gone down the drain of nationalization before Kelf-Cohen emerged from Oxford. So he had to settle for the Labor party's latter-day crusade to take over the coal mines, transport, gas, electricity, and the abortive attempt to nationalize iron and steel. In the process, Kelf-Cohen lost one illusion after another. In his book *"Nationalization in Britain"* (recently released in the United States by the St. Martin's Press), readers in this country now have available what appears to be the first comprehensive survey of the results of British nationalization in book form.

The impression given the reader is not so much shocking as it is saddening, that so much confusion and waste could have taken place in the name of liberal progress, under political leaders of high intellectual repute. The author's approach is objective, never bitter. It makes all reasonable discount for the admitted advantages of hindsight. Furthermore, Kelf-Cohen is realistic enough not to expect that nationalization could or should be repealed at this late date. It was a program which the Labor party was vowed and determined to accomplish, successfully or otherwise. And considering practical alternatives of British politics, then and now, it was probably inevitable. It is more in pity than in scorn that he takes us over, step by step, the blunders and failures of the Socialists.

"In Britain many devout believers in the dogma of nationalization are still to be found," he says in his introduction. "I do not anticipate their beliefs will be affected by what I write, but I trust that here and there intellectual doubts may arise on the value of this type of public ownership, either as a solution to our [British] economic difficulties, or as the beginning of a brave new socialist world."

Kelf-Cohen's book is well-organized, well-written, and quite up to date

(through the 1958 budget). The statistical references are a little uneven but quite adequate to substantiate the text. The book moves into the subject chronologically, beginning with the Labor party's policy on nationalization starting in 1920. This was largely dominated by the Webbs, Beatrice and Sidney. It was long on theory and short on planning. Frightened by what happened in Russia when the Bolsheviks took their Marx straight, the Webbs watered it down with Fabianism to give a protective coloration of respectability, more attractive to the cautious trade unionists. Immediate nationalization was demanded for the railways and mining, but no early pressure was put on gas and electric service. The expected benefits emphasized were more for the workers than consumers. Then when Labor finally got possession of the ball, even the pretense of much vaunted planning was dropped. The actual performance became a panicky exercise in extemporization.

There was, for example, the disastrous general strike of 1926 when the trade union movement fell on its face in attempting to force the coal mine operators to accept workers' demands. In that year the Baldwin government did secure passage of the Electricity Supply Act. This created a Central Electricity Board to aid standardization and co-ordination of the industry and establish a preliminary grid system. But the British electric utilities already were two-thirds municipally owned. And the private companies were operating under a very early policy of government recapture following the expiration of all term franchises.

HERBERT MORRISON, Minister of Transport (1929-31), emerged as the chief architect of the Labor party's nationalization policy. He insisted that public ownership operations were to stand on their own feet financially—no Treasury support. No attempt has ever since been made by the Labor government to apply this policy when it came back with a post-war bang in 1945 to gobble up all the remaining utilities.

The first industrial scalp for the British nationalizers, when Labor took over in 1945, was the coal industry. Minister of Fuel and Power Shinwell took on this task. Existing organization was destroyed and its management dismissed; its technicians scattered. The result to date? More welfare for the miners and less production per miner (1.3 million tons less in 1957 than in 1951, with 11,000 more miners). Yet the miners are no more cooperative with government management than with the old colliery owners. Absenteeism is on the increase. Quality of the coal is deteriorating. Yet coal is still rationed for domestic use.

No attempt at really self-sustaining coal operations has been made. The government valued the mines taken over in 1945 at £164.6 million. Its original "Plan for Coal" envisioned an expenditure of £635 million in the fifteen years from 1951 to 1965. This has been boosted to £1,350 million. But the output in 1960 will be no greater than in 1950, owing to constant and costly welfare concessions to the miners.

IN transport, British nationalization took over in 1947. A monopoly was acquired in the common carriage of goods by road, rail, and water. This sudden supercentralization of ownership under the Transport Commission created operating problems which lasted for years. Necessary rate increases lagged. Due to labor wage increases British Railways in 1956 took in £480 million against £496 million *working expenses*. The commission, therefore, is in deficit even before taking in any account

of payment of interest on capital. This deficit grew from £4.7 million in 1948 to £54.4 million in 1956.

In electricity, the Victorian statutes of the early eighties had provided for an ultimate taking over by public authority after franchise terms to private companies (at first twenty-one years, later forty-two years). Nationalization came with the Electricity Act of 1947. The load factor was worse in 1957 (47.9 per cent) than in 1947 (48.4 per cent). The 1956 electric supply system in the United States had a load factor of 64.4 per cent. The author concedes that conditions in the two countries are not fairly comparable in all respects. But consider the efficiency of coal utilization in 1957. In the United States .93 pounds of fuel were used per unit, as against 1.28 in England and Wales. British sales have doubled. Prices have increased from 20 to 25 per cent during this period.

In gas, Kelf-Cohen finds somewhat better performance. As an industry it was already nearly a century and a half old when it was nationalized in 1949. Over a third of it already was municipally owned. The rest of it had been split up into 700 companies, many grossly inefficient. They put up no organized fight against nationalization. Many of them welcomed it as a solution to increasing economic difficulties. British gas, of course, is entirely manufactured. The organizational pattern of the Gas Bill was an improvement over the rigid centralized structure of the earlier coal, transport, and electricity statutes. It provided for 12 regional gas boards, each represented on a national Gas Council. The author feels that the government gas service is getting into trouble unless it faces its future more realistically, especially with respect to plant expansion. But it did bail the companies out of a bad postwar situation and it performed fairly well in the succeeding decade of operation.

Kelf-Cohen has an additional chapter on the Labor government's attempt to nationalize British coal and steel. This is interesting as about the only case history we now have of unscrambling the eggs of Socialism—when a policy of nationalization was actually turned backward. The bill cleared Commons in 1948 when the Labor party was still in power. The House of Lords stalled around and delayed effectiveness, pending the 1950 election which brought the Churchill government back into control.

The Iron and Steel Act was repealed in 1953 and the Laborites are still promising to turn the tables once more if they win the election of 1959 or 1960. The Laborites recognized the efficiency of private steel company management and, ignoring their contrary destructive procedures in the earlier nationalization programs, promised to preserve such managerial efficiency. They were to be taken over via a government-controlled holding company arrangement. Kelf-Cohen says of the proposal:

> Public ownership of the steel industry would be unlikely to maintain the tempo of development which the nation requires for the improvement of its standard of living. Any form of public ownership would have to leave intact all the existing units with their pride in their achievements. Further development at the appropriate rate can be achieved without public ownership—which in iron and steel is more irrelevant than in any of the industries taken into public ownership. The Labor party should therefore reflect that, they will be jeopardizing the continued development of a vital industry, merely in order to pay a last tribute to an ancient dogma,

which they are forsaking. At the best they will only achieve what has already been achieved without it.

THE second half of Kelf-Cohen's book is given over to chapters dealing with the problem of relationship between the nationalized industry and British Parliament, the British government, and with internal administration by the government boards, and with financing and the future of the nationalization policy. His concluding chapter on the future of the nationalized industries contains much food for thought in American utility circles. Take, for example, this 1951 quotation from Professor W. Arthur Lewis on the fallacy of cheap government loans to such publicly owned ventures:

> Some advocates of public corporations have supported them on the ground that they can borrow money more cheaply than private enterprise. But this is fallacious. If an industry is able to get its capital more cheaply than another industry solely because it is run by a public corporation, then it will be overexpanded relatively to others solely on that ground. The rate which the government pays the holders of stock is irrelevant. The rate that the corporation should pay the government is the rate which other industrial borrowers, of good standing, have to pay.

KELF-COHEN chiefly impeaches the irresponsible autonomy of the nationalized industrial board management. He says of this:

> . . . At present we have the fiction that these boards are public corporations going their own way, and occasionally informing the responsible ministers of what they are doing. But more and more it has become clear that the operations of the nationalized industries are a vital part of the economic, industrial, and financial policy of the country. The public expect the government to guide these industries. They are puzzled and resentful at a state of affairs wherein these industries enjoy the best of all worlds. They are statutory monopolies which enjoy many privileges but they give little indication that, in return, they are prepared to adopt a code of behavior reflecting their responsibilities to the nation which finances them and is compelled to buy their products. They claim the highest priority for their capital requirements; if their products are not such as the consumer has been accustomed to and would prefer, the consumer must mend his ways and accept the product which they offer; and the workers in the industries regard the fact of public ownership as justifying a privileged position for themselves, even if the industry cannot afford such a position.

THEN there is the problem of a showdown with the politically powerful labor unions. "The greatest benefit of the transfer to public ownership," says Kelf-Cohen, "has inured to the workers." But this has been at the obvious expense of both the taxpayer and the consumer interests.

There is also the problem of the coddled nationalized industries which have "fallen out of step with the remainder of the economy." Finally, he concludes, these industries "have inherited many perplexing problems, which have not been settled by nationalization but rather intensified by it."

There is a lesson in all this for folks on this side of the Atlantic. Whereas the British utility goose has been cooked, be-

yond recall to private enterprise, by the fires of nationalization, the very smell of weird results is strong enough for utility people in the United States to draw some interesting and timely parallels. Kelf-Cohen's book does an excellent job of ventilating some highly suspicious odors of Socialism gone sour.

—F. X. W.

NATIONALIZATION IN BRITAIN. By R. Kelf-Cohen. St. Martin's Press. New York, New York. Price $5.50. 310 pages, Index and Appendix.

The Professor and the Commissions

FEDERAL regulatory commissions are a failure and ought to be junked in favor of a special court system in the view of Dr. Bernard Schwartz, well-known New York University law professor, in a recently published book which is certain to cause another storm of controversy. Dr. Schwartz does not give very clear or persuasive reasons why there is anything *inherently* wrong with the commission system, as compared with a specialized court setup. Most of his arguments are *ad hominem* and chiefly based on the critical testimony concerning the commissions developed over the past year by the House Legislative Oversight Subcommittee. Schwartz was formely chief counsel of this committee but was dismissed last year after falling out with a majority of the committee investigating methods and procedures.

The book, *"The Professor and the Commissions,"* was formally released February 17th by the publisher, Alfred A. Knopf, Inc., New York, price $4. Veteran lawyers, whether engaged in utility practice or otherwise before both courts and commissions, might be more inclined to the view that superimposing rigid court procedure on the complex machinery of regulatory causes would not be any incentive to speed up or clarify this field of law. Cases that now take months might take years if strict rules of evidence and similar formalities of adversary proceedings in courts of law were made part of the regulatory procedure.

INDEED, when one considers the Federal Power Commission, now bogged down with over 2,000 gas producer rate cases and more coming in at the rate of about 200 a month, one might well wonder just how a single judge or panel of judges could break such a bottleneck instead of narrowing it. But Schwartz's criticism of the commission, as already indicated, rests on ethical rather than procedural grounds. He asserts that "moral rot" has progressed to such a point in most of the "big six" regulatory agencies (this would include the Federal Power Commission, Federal Communications Commission, and Securities and Exchange Commission—chiefly engaged in utility matters) that a "truly drastic solution is all but imperative."

Schwartz's proposal for creation of an administrative court is in line with suggestions by the Second Hoover Commission on governmental reorganization in 1955, of which he was a consultant, and by an American Bar Association committee. He would go farther by ending the present commissions, such as the FCC, and practically starting over again. The Hoover Commission and the American Bar Association group did not condemn the regulatory commission system, as such.

"Enough has been revealed to indicate clearly that improper influence abounds in those agencies," Schwartz writes. "Only by abolishing the present commissions and transferring their decision-making powers to true judges can the problem of influence be completely solved."

THE book repeats charges Dr. Schwartz made last year that the subcommittee, headed by Representative Harris (Democrat, Arkansas), sought to prevent a real investigation of complaints he presented. It lists 17 TV license cases Dr. Schwartz believes the subcommittee should have investigated. The book asserted that some other agencies were involved in "irregularities" that should be investigated. Dr. Schwartz charges:

> They included the reversal by the Civil Aeronautics Board and the White House of an examiner's award of the New York-Mexico City route. In this case Thomas E. Dewey's law firm received a fee of over $110,000 from the winning airline, although Dewey was not retained as counsel of record and our staff was never able to ascertain precisely what legal work his firm did to warrant such a fee.

Former Governor Dewey of New York issued a statement a year ago denying wrongdoing or impropriety in this case.

Speaker Rayburn, Mr. Harris, and several other members of the subcommittee, as well as various chairmen or members of the commissions, came in for especially sharp criticism. Harris has frankly admitted that early mistakes were made. The biggest mistake, he said, was in hiring Schwartz in the first place.

After criticizing most of the commissions for acting often by "whim and caprice" in deciding cases, and in being involved in influence attempts and other pressures, the Schwartz book suggests a code of ethics.

This would contain provisions outlawing acceptance of favors from those subject to agency authority, unauthorized contacts in pending cases, under-the-table participation in cases, and participation of former commissioners in cases before agencies.

DR. SCHWARTZ's proposed remedy is not too practical. It gives this longtime observer of regulation the uncomfortable feeling of "Here is where I came in," or of watching an old-time movie on television, already seen long ago. It was just about thirty years ago that the late distinguished regulator, William A. Prendergast, resigned as chairman of the New York commission because a newly elected governor of New York wanted the commissioners to *stop* acting like judges on a bench. The governor of that day was the late Franklin D. Roosevelt, who felt that regulatory commissioners ought to forget about being judges and take an aggressive and informal view of their regulatory responsibilities. Prendergast, an appointee of Roosevelt's predecessor (Al Smith), felt that the commissioners should function in an atmosphere of judicial detachment.

Under Dr. Schwartz's plan, no attorney for a utility company could give the regulatory "judge" any advance intimation that the utility was even thinking about filing for a rate increase. Regulated companies could no longer ask for suggestions from the commission or its staff on how to avoid regulatory errors before (and not after) they happen. The informality and flexibility which have been a saving grace of commission regulation would be lost and even condemned as reprehensible. All this for the doubtful security of official purity obtained by exchange of one official title and set of rules for another. Surely there ought to be a better way of assuring regulatory honesty than by putting it in a procedural strait jacket chained to a judicial bench.

—F.X.W.

The March of Events

Arkansas

Unions Can Be Sued

THE Arkansas legislature has approved and sent to Governor Orval Faubus two bills making labor unions liable to lawsuits and denying unemployment insurance benefits to strikers.

Passage of the bills was successful despite strong opposition from organized labor. Opponents of the bill, which would make labor unions subject to legal action in the courts, contended the legislation is discriminatory and that its objective is to make things difficult for labor organizations.

Advocates of the proposed law declared that labor unions should be placed in the same category as churches and other organizations subject to lawsuits.

California

Pipeline Fuel Rivalry

WESTERN OIL & GAS ASSOCIATION has asked for dismissal of a petition now before the state public utilities commission which seeks sanction for a new gas pipeline into Los Angeles. The attack was leveled against the Southern California Gas Company and Southern Counties Gas Company which have requested state approval to build a $44 million pipeline which would extend from a point near Las Vegas to Placentia and would have a capacity of 475 million cubic feet a day.

Reason for protest is the danger of the two gas utilities setting up a one-fuel economy in the southland if they are permitted to augment the already huge quantities of gas being imported into this area.

The gas utilities will be given an opportunity to cross-examine association spokesmen in a subsequent hearing.

New Pipeline Protested

SOUTHERN COUNTIES GAS COMPANY has filed a complaint with the state public utilities commission protesting the construction of a pipeline by the Richfield Oil Corporation. The line would bring gas from the San Joaquin valley for use of the Southern California Edison Company.

Southern Counties insisted in its petition that Richfield be required to obtain a certificate of public convenience and necessity as a condition of permission to lay the pipeline. The petition set forth that Southern Counties Gas and Southern California Gas Company are ready to serve Edison needs from their own supplies.

Louisiana

Gas Tax Test Suits

More than 60 companies have filed suits contesting the legality of Louisiana's gas-gathering tax. Late in 1958 the state's two-cent gas-gathering tax was replaced by a two-cent increase in the state's severance tax. The revenue tied up as a result of the suits will amount to almost $2 million, according to the state revenue collector.

Numerous gas companies had stated that they would not file suit if the shift were made to a severance tax increase, which would terminate in 1960, after the present administration leaves office.

However, only one of those who so promised lived up to his word. Some suits were expected, but about less than half of the ones actually filed.

Maryland

Rates Invalidated, but Refund Questioned

The Baltimore Gas & Electric Company has declared that although Judge J. L. Carter reversed the rate base findings of the Maryland Public Service Commission's order of July, 1958, which authorized increases in the company's electric, gas, and steam rates, the decision does not require any refund of the rates already collected.

A company spokesman said the rates will continue in effect until the utility's counsel decides whether to appeal the court's decision or take the case back to the public service commission for further hearings.

The court ruled that a rate base allowing $9,254,000 in additional revenues for the company was invalid because it included the $32.2 million for future additions to plant facilities.

Judge Carter declared that the law requires that the rate base be predicated on property "used and useful in rendering service to the public."

Transit Authority Proposed

Legislation has been proposed for the creation of a metropolitan transit authority for the city of Baltimore to solve the many problems of transit companies in that area.

It would aim at improving and strengthening the operations of private companies. The authority would obtain its revenues from the one-twentieth gross receipts tax paid by transportation companies to the state and by its share of state gasoline taxes, now returned to local governments. Such revenues were estimated to total $400,000 a year. With this money the authority would buy or lease transit equipment and in turn sell or lease it to transit companies at a lower price. This subsidy feature is the one many transit officials feel is necessary for the survival of mass transportation in the metropolitan Baltimore area.

The public service commission said the new plan appears to duplicate facilities and costs amounting to one and one-third the commission's entire appropriation.

Michigan

Gas Refund Ordered

A Federal Power Commission examiner has rejected a gas rate increase that was collected by Panhandle Eastern Pipe Line Company from its customers for more than three and one-half years, subject to refund.

Michigan Consolidated Gas Company is one of the major utilities among Panhandle's 60 wholesale customers. The FPC examiner estimated that the increase would result in about $11.5 million a year in revenue in excess of cost of service. However, Panhandle estimated the increase at only $7,247,399 yearly. The examiner recommended that the excess revenue be refunded, but he did not estimate how much it would be.

Panhandle stated it thinks the examiner is in error and hinted it would seek a complete review of the case by the full FPC.

Nebraska

Power Requests Refused

A GROUP headed by Representative Larry Brock (Democrat, Nebraska) and Dewey DeBoer, executive director of the Nebraska Public Power System, was unsuccessful in persuading the Interior Department to come up with a new power distribution formula. It contended that Nebraska was being penalized for having developed her own power generators.

Assistant Secretary for power and water of the Interior Department, Fred Aandahl, insisted that Nebraska was receiving its fair share of Missouri valley power.

He also opposed the request to build a spur line from Fort Randall to the Nebraska state line, saying there would not be enough power going into the state to justify an additional line into Nebraska.

The group had requested the department to build a spur line and to consider a steel tower two-cable transmission line.

DeBoer declared upper Missouri basin users have been complaining that the Bureau of Reclamation will be able to supply only 85 per cent of their needs in 1963. And Nebraska suppliers are asking 40 per cent of the needs from the bureau, but expect to get only 23 per cent.

New Jersey

Two Pipeline Bills OK'd

Two bills designed to give the state the power to regulate the safety provisions of oil and gas pipelines were approved by the New Jersey assembly. Under their terms the state public utilities commission would be given regulatory control. Now pipeline companies need only to obtain a certificate of necessity from the Interstate Commerce Commission in order to build through the state.

Both measures were sponsored by J. E. Crabiel. Assemblyman R. E. Bowkley cosponsored the gas bill.

New York

Power Plant Sale Deferred

THE city of New York has deferred action on its proposed plan to sell its power plants to Consolidated Edison of New York. Last month a long, heated hearing was held at which the supporters and opponents expressed their views. Twenty-four speakers favored the sale; twenty-two opposed it. Mayor Wagner closed the meeting and announced the statements would have to be pondered by the board.

Opponents of the sale call it a bankruptcy sale and a giveaway. Principal op-

position comes from the Transport Workers Union and the Liberal party.

Proponents of the sale contend it will save the city of New York as much as $250 million over a period of thirty years, as well as producing revenue in the form of taxes. They also say the cost of power will be lower with Consolidated Edison generating it. The board met last month to discuss the pros and cons of the sale.

The sale is strongly backed by business groups and City Administrator Charles F. Preusse.

PSC Sees Gas Rise Trend

IN its annual report on utility regulation, the public service commission of New York complained of a discernible trend of rising gas prices. It pointed out that it could do nothing about the situation inasmuch as it has no jurisdiction over producers and interstate companies which distribute gas to local utilities.

In 1958, the commission reported, companies in New York state received increases for natural gas aggregating $7,745,000. In the same period electric companies received increases of $15,279,000 or about 40 per cent of the total $35,485,000 given to all utilities.

The electric increases were generally confined to the monthly minimum electric charge with the average rise ranging from 1.5 per cent for the Consolidated Edison Company of New York city to 7 per cent for the Rochester Gas & Electric Corporation.

Oregon

New Utility Tax Bill

THE senate taxation committee has approved a bill for introduction in the legislature that would provide variable ratios in property taxation. It would tax utilities at a ratio of 30 per cent above, and homes at a ratio of 10 per cent below, the ratio for taxation of all property other than those two classes.

The purpose of the bill is to increase the amount of taxes paid by utilities, and to reverse a trend deliberately set in 1955 by the legislature. At that time it was considered that utilities, assessed by the State Tax Commission, were paying more than a fair share of local property taxation. A five-year tax equalizing plan was established at that time which shifted the load from utilities to other property.

The present legislation would stabilize the 1958 proportion of taxes paid on utility property (12 per cent), homes (48 per cent), and other property (40 per cent).

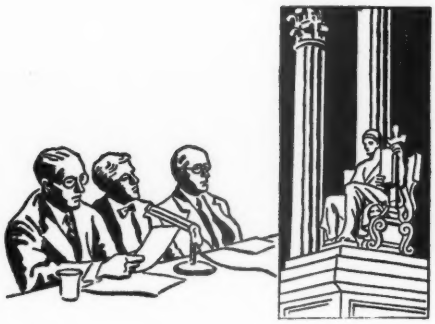
Texas

Gas Compromise Rejected

HOUSTON'S Mayor Lewis Cutrer and the city's public service director, Clinton Owsley, have refused an offer of the Houston Natural Gas Corporation to compromise on its request for higher rates. The city insisted rates should be set on a basis of evidence drawn from a hearing. Houston Natural had asked for higher rates on gas because of a higher gas rate allowed to its supplier, Texas Gas Pipe Line Corporation, and for increased expenses incurred during the past two years.

There is also a dispute over the electric utility's use of demand meters for electricity.

Houston Lighting & Power contends that their use keeps the rates down for such customers, that the monthly bills would go up were the meters taken out.



Progress of Regulation

Trends and Topics

Income Tax Treatment of Dividends as Affecting Return Allowance

BACK in 1922, when a person was not required to include corporate dividends as income for federal income tax purposes, the Supreme Court in the Galveston Electric Company case (PUR1922D 159) approved the principle of deducting all taxes in order to determine net income for rate making. Justice Brandeis, delivering the opinion of the court, said that there is no difference in this respect between state and federal taxes, or between income taxes and others. But the fact that it was the federal corporate income tax for which deduction was made, he continued, must be taken into consideration in determining what rate of return shall be deemed fair, in view of the fact that the stockholder does not include dividends. The tax exemption was said to be, in effect, "part of the return on the investment."

The Supreme Court, in the Georgia Railway & Power Company case (PUR1923D 1), reaffirmed the principle that the federal corporate income tax is to be treated as a proper operating charge. The court in that case did not find the rates to be confiscatory and said that it must be borne in mind that since dividends from the corporation were not included in the income on which the normal federal tax was payable by stockholders the tax exemption was, in effect, an additional return on the investment.

Other courts and commissions have expressed the opinion that taxes are a factor to be considered in fixing the return allowance. The change in income tax laws, however, has altered the picture as presented to the Supreme Court in the early 1920's. The Michigan commission, for example, in the Detroit Edison Company case (16 PUR NS 9), thought that a somewhat greater rate of return should be allowed when dividends received by stockholders are subject to the normal federal income tax than was allowed when dividends were exempt from the payment of this tax.

Dividends Paid to Parent Company

One phase of this question was presented to the Connecticut commission (19

PUR3d 373) and later to the Connecticut superior court (26 PUR3d 325) when it was contended that the return allowance should be reduced to reflect the "tax-free nature" of certain dividends received by the corporate owner of all of the common stock of Mystic Valley Water Company. This company is a wholly owned subsidiary of the Northeastern Water Company. It is the dividend policy of the Mystic Valley Water Company to pay on its common stock to Northeastern 75 per cent of its annual earnings. The parent company pays an income tax on only 15 per cent of the dividends received, by reason of provisions of § 243 of the Internal Revenue Code of 1954, 26 USCA § 243.

It had been urged that this theory was supported by the statement in the Galveston Electric Company case, mentioned above, to the effect that the tax exemption is part of the return. The Connecticut court said that the reference to the stockholder and his liability or nonliability to pay a further tax was obiter dicta. The Supreme Court did not then have before it the question presented in this case. The tax law then in force (1922) was different in important respects from that in effect today.

Tax Status of Stockholder

Presumably the provision in § 243 of the Internal Revenue Code of 1954, allowing a corporation to deduct an amount equal to 85 per cent of the amount received as dividends on common stock, was intended to mitigate to some extent the burden of double taxation. Any attempt, however, to vary return allowances to reflect the tax burden upon stockholders would seem to be impracticable. The tax status of stockholders may range from those in high income tax brackets to those who pay no income tax because they have low incomes and are permitted to take advantage of the retirement income credit.

The Connecticut commission, in the Mystic Valley Water Company case, approved the principle that "The identity of the owner of a security of a public utility company is not a factor for consideration" in the application of the statutory standard which requires the prescribing of rates that are just, reasonable, and adequate to enable a company to provide properly for the public convenience, necessity, and welfare.

Review of Current Cases

Electric Rates Increased on Operating Figures Unadjusted for Recession

PUBLIC SERVICE COMPANY of New HAMPSHIRE, an electric company serving the greater part of New Hampshire, and its wholly owned operating subsidiary, New Hampshire Electric Company, secured most of a rate increase requested of the New Hampshire commission. Of nearly $700,000 sought in additional gross revenues, slightly more than $500,000 was authorized, which will result in a rate of return of 5.65 per cent for the companies on a net investment rate base,

according to the commission's calculations.

While the companies expressed the view that this rate of return was inadequate, they did not submit evidence to show that a higher return was necessary. The commission noted that it had complete information as to their capital structure and the various kinds of securities that each has outstanding.

No Adjustment for Recession

A test-period formula is proper in rate making, said the commission, because it is based on facts. The test period should be based on the most recent actual experience of the utility, with adjustments for all known changes affecting costs and revenues in the immediate future. A test year ending May 31, 1958, was used.

A witness for the state contended that revenues and net operating income should be normalized to reflect what net operating income would be if the 1957-58 economic recession had not taken place and normal growth in sales had occurred. Such predicting for the future is mere speculation, the commission indicated, where it is not apparent that the recession has ended, that revenues will pick up, and that earnings have leveled off at the point shown at the end of the test year.

On this point Commissioner Thornton dissented. The principle of the test year should not be so completely relied on, said he, as to ignore the recession and the subsequent recovery, contrary to common sense. The commissioner would make a substantial adjustment for this item.

Although no allowance was made for attrition, the commission pointed out that this did not mean it had changed its view that a growing utility may need such an allowance. But if the recession has in fact ended, said the commission, it can be hoped that improved economies will at least be equivalent to an allowance for attrition. Also, the authorization of temporary rates in this proceeding can be expected to offset, in part, any recent attrition.

Working Capital and Tax Items

The average of bank balances was allowed in the working capital requirement, along with net requirements for expenses, inventories, and sales and new business requirements. Substantial deductions were made, however, for regular income tax availability and for deferred income tax accruals associated with accelerated amortization. These tax funds are provided by ratepayers, it was pointed out, and the utility has the use of them until taxes are paid.

Even if a company elects to invest deferred tax funds in assets other than plant or working capital, such funds should still be excluded from the rate base. The commission observed that the deferred tax credit to working capital should relate to the test year even though a more recent period would show a larger credit, since the rate base should relate to the period for which earnings are being tested.

Reserve Plant

In discussing reserve plant, the commission noted that the frequently stated proposition that electric companies should have reserve plant equal to their largest unit on the line should not be taken as a hard and fast rule of thumb. There are bound to be times when any growing company, such as the applicants, will be on the low side just before a new unit is put on the line, and on the high side after it goes into operation. The commission, accordingly, thought the state's proposal of a 15 per cent peak formula as a proper reserve was quite unrealistic.

That Public Service Company's 1954

estimate of a 20 per cent reserve of peak for 1957 would actually become 38 or 34 per cent, depending on favorable or adverse hydro, could not be forecast. Neither could the recession, warm weather, or other conditions be anticipated three years ahead. To plan for maximum probable demand under possible adverse conditions is good judgment, said the commission. Nor would it be reasonable or logical to assume that a 15 or 25 per cent reserve is proper for any specific company, or for any period of time, merely because it may be the average of reserve capacity of electric companies in the general area.

Expense Allowances

Charitable contributions are an allowable expense provided they are reasonable, the commission ruled. They are vital to good public relations and are much the same as advertising. Fifty-two per cent of such expenditures are tax savings. Contributions in this proceeding amounting to one-tenth of one per cent of operating revenue were considered reasonable.

While no reduction in the rate base was made for a small loss in the appliance department, the commission warned that any future deficits in the appliance or service departments would be a charge against surplus. Such a loss must not become a burden on the ratepayers.

In keeping with its policy of adjusting the test period for known changes only, the commission declined to normalize storm expenses despite contentions by witnesses for the state that storm expenses in this case were unusually high. The commission commented that other costs such as breakdowns, repairs, and taxes vary appreciably, yet are not normalized.

Rate Modifications

The commission commended the companies for their voluntary elimination of an excess demand charge applicable to residential rates. It appeared that the effect of the charge was almost negligible though it had incurred customer dissatisfaction.

Evidence also supported the elimination of the demand ratchet in the general service rate. When a company's load characteristics are such as to result in no unreasonable discrimination through elimination of the demand ratchet, the commission favors its eventual elimination. *Re Public Service Co. of New Hampshire et al. D-R3703 et al. February 4, 1959.*

Management Salaries and Revenue Projections Figure in Telephone Rate Order

WHILE the Georgia commission granted a substantial rate increase for the Cherokee Telephone Company, Inc., it found, after considering proposed station and revenue forecasts and management salaries, that the full amount sought by the company was not warranted. The company has completed its REA "backbone" construction program and subscribers enjoy modern automatic dial service.

It was alleged that existing rates were not adequate to provide for operating expenses and interest on the federal loan funds expended to complete the construction program.

The company now has approximately 600 subscribers, rather less than it had counted on at the inception of its construction program. The rates presently in effect were fixed on the basis of a projected 1,000 stations. A new five-year pro-

jection study was offered, tending to show that only approximately 800 stations would be in service five years from now. The commission thought the only practical approach to the company's revenue requirements would be to base rates on existing conditions. To indulge in further five-year projections, after the basic construction program is complete and in the face of the unsatisfactory results of the original projection, would be highly speculative, said the commission.

Salaries and Acquisition Adjustment

Under existing rates the company could not meet interest requirements on its debt. But in determining the additional revenue needs the commission considered the level of management salaries. Some $11,500 was paid annually as total salaries for the president and the general manager. This sum was declared excessive for a company of this size and was taken into account in the establishment of new telephone rates.

By a prior order the commission provided that plant acquisition adjustment should be disposed of by annual charges to surplus equal to the full amount of such surplus until fully amortized. In view of adverse operating experience the company asked permission to pay dividends to preferred stockholders prior to complete amortization of the plant adjustment. The commission thought it reasonable to permit some earnings on the company's preferred stock, the common stock being a mere accounting fiction. It therefore authorized the payment of not more than the current year's preferred dividend requirement, provided that there be retained earnings sufficient to meet such a dividend declaration each year, until such time as the plant adjustment should be completely amortized. *Re Cherokee Teleph. Co., Inc. File No. 19566, Docket No. 1371-U, January 7, 1959.*

Gas Certificate Amendments without Hearing

THE Federal Power Commission authorized urgent amendments to a natural gas construction certificate, pursuant to § 16 of the Natural Gas Act, without formal publication of notice or formal hearing. It was pointed out that the applicant company had served its application upon the various parties in interest and none had expressed any opposition. Also, the commission found that the amendments were in the public interest. *Re Transcontinental Gas Pipe Line Corp. et al. Docket No. G-13143 et al. December 31, 1958.*

In another proceeding, the commission held that general notice and public hearing were unnecessary to a natural gas certificate amendment which did not involve any new or changed service or new or changed rates. It merely continued in effect service and rates which would otherwise shortly expire. It was impracticable to publish general notice and hold a public hearing on the company's amendment petition before the rates sought to be continued would expire. *Re El Paso Nat. Gas Co. Docket No. G-11797, January 2, 1959.*

Telephone Rates Go Up in Uranium Boom Area

IN authorizing an increase in local exchange rates for Midland Telephone Company, substantially as requested, the Utah commission found that calculated earnings of 7.03 per cent on stockholders' book equity would not be excessive. The

rate of return on a net investment rate base would be 7.1 per cent. Counsel for the company urged a rate of return between 7½ and 8 per cent, pointing to the extra risk to investors by reason of a debt component of more than 50 per cent of the total capital obligations, and the further risk inherent in the relatively small size of the company and the limited area in which it operates.

The company served approximately 2,573 telephones at the end of 1957, chiefly in the uranium-producing area of southeastern Utah. Uranium mining and oil development have created a boom economy in this part of the state, which, in turn, has necessitated a great expansion of Midland's business. Its telephone plant has been expanded from about $194,000 to approximately $1,041,000 in the last five and one-half years, involving extensive borrowings. Since the future uranium-buying policy of the federal government is uncertain, the present high level of demand for telephone service in southeastern Utah could decline considerably.

Test Period

The commission's normal practice in determining the revenue requirements of a utility is to use a recent past twelve months as a test period, adjusted when necessary for known changes so as to reflect current operating conditions. It noted, however, that future projections are sometimes helpful in viewing the case in its entirety, though it is preferable not to make an ultimate finding based alone on estimates.

The Utah commission used the company's operating results for the twelve months ending in mid-1958, giving due consideration to present conditions which the company faced.

Rate Base

One month's working capital was included in the rate base. Also included was the average balance of construction work in progress, which would be currently placed in service and on which no interest had been capitalized. The commission excluded from the plant account costs incurred in the sale of stock. Such costs should be charged to a deferred debit account, it was pointed out. *Re Midland Teleph. Co. Case No. 4540, October 1, 1958.*

Direct Sales of Gas from Interstate Pipeline Subject to State Regulation

IN a proceeding on a show-cause order, the Colorado commission asserted jurisdiction over Colorado Interstate Gas Company with respect to direct sales of gas in Colorado and ordered the company to apply for a certificate to conduct such sales. State statutes give the commission regulatory authority over every "public utility," defining the term as a company "supplying the public" and "affected with a public interest." In deciding that Colorado Interstate came within the statutory language, the commission inquired at some length into various tests of public utility status and discussed their historical background. Since direct sales have been excluded from the jurisdiction of the Federal Power Commission, the states are at liberty to regulate them.

Colorado Interstate sells direct to some of the principal industries of the state and to several electric generating plants. The company contended that it had never held itself out to be a public utility; that it never initiated negotiations for direct sales; that most of such sales were the result of the

development process of the company in its initial stages; that it is not a monopoly by virtue of competitive fuels and the ability of the purchasers of gas to secure gas from local distributors. It was estimated that the direct sales in Colorado constitute 25 to 35 per cent of the pipeline's total sales in the state and about 17 per cent of the sales of the entire pipeline system.

Monopoly Warrants Regulation

What was once considered beyond the pale of regulatory restraint is now considered commonplace in the field of regulation and controls, the commission observed. The public has imposed regulation as its property, money, health, or convenience has demanded. The commission indicated that it has a duty, under the statutes, to study the conditions surrounding an industry and to determine whether the business is a virtual monopoly. If it is such a monopoly, that fact would render the business public or for a public use.

Virtual monopoly may exist because of the cost of plant and the large scale on which services are performed, the inadequacies of available substitutes, and the dependence of the service rendered upon other activities. If conditions of virtual monopoly exist, there is but little question that the state has authority to require a utility in substance to be so in form, the commission declared. It concluded that "the activities of a company, and the company itself, must be adjudged to be or not to be a utility on the basis of the totality of the consequences of its activities vis-à-vis the public."

In explanation of this statement the commission continued, "we must judge the nature of the service rendered—whether a natural or virtual monopoly, the exorbitance or reasonableness of the charges, the arbitrary control to which its customers may be subjected, whether or not the impact of its service, or the lack thereof, to a class of customers affects the state or community, and whether the services rendered are needful and cannot be surrendered without obvious general loss and inconvenience."

Test of Monopoly Is Met

It appeared that the pipeline could raise prices at will or withhold service. Conversion of consumers' plants to other fuels would be costly, not to mention the higher cost of substitute fuels and the lack of evidence as to their availability. The effect upon the economy of Colorado would be serious if gas service were interrupted. Colorado Interstate has refused to relinquish its direct sales to distributors in the respective areas.

The commission thought the pipeline's position of virtual monopoly had been shown. It distinguished the situation in Colorado from that in the Mississippi River Fuel Corporation case (2 PUR3d 409), where a similar utility was held not to be subject to the jurisdiction of the state commission. There the sale was to 23 industries in heavily industrialized Illinois.

Nowhere was it shown in that case, it was pointed out, that the impact of Mississippi River Fuel's operation on the economy of Illinois would be to the same extent as the service of Colorado Interstate on Colorado's economy, where all the major industry of the area involved is served.

The commission did not intend to say, of course, that Colorado Interstate had in fact exercised arbitrary powers, or that unreasonable prices had been charged. It held merely that the company's monopolistic power must be subject to the police power of the state. *Re Colorado Interstate Gas Co. Case No. 5075, Decision No. 51598, January 19, 1959.*

License Required for Operation and Maintenance Of Power Projects on Clyde River

THE Federal Power Commission overturned a finding by the presiding examiner that the portion of the Clyde river in northeastern Vermont occupied by project works of Citizens Utilities Company was not a navigable water of the United States. The examiner had, however, held that the interests of interstate and foreign commerce were being and would be affected by certain of Citizens' facilities, and Citizens should be required to apply for a license for those facilities. The commission decided that maintenance and operation of all the company's hydroelectric developments had affected, and were capable of continuing to affect, the navigable capacity of the river downstream from such facilities and would affect the interests of interstate or foreign commerce.

Evidence of Navigability

Clyde river flows for some 28 miles in a northwesterly direction and empties into the southern end of Lake Memphremagog. This is an inland lake, the waters from which flow north through Magog river, which empties into the St. Francis river, a tributary of the St. Lawrence. The water level of the lake has been maintained in accordance with an agreement between the governments of the United States and Canada by means of a dam near its outlet on the Magog river. There was no dispute as to the navigability of the lake.

There was evidence that Clyde river is suitable for navigation by small boats, which have used it and the ponds along its course. There had been use of the Clyde for logging. There was evidence of historical use of the Clyde river as a travel route during colonial times between Canada and the English settlements further south. The commission reviewed evidence relating to a map dated 1756 and other maps.

The commission cited the decision of the Supreme Court in the New River case, 311 US 377, 36 PUR NS 129, where it was ruled that "actual use of a river need not be continuous"; that a stream may be navigable despite obstructions of falls, rapids, and sand bars; that navigability may be established by the floating of logs or by use of boats of various sizes; that use by personal or private boats demonstrates the availability of the stream for the simpler types of commercial navigation; that the use need not be important commercially; and that in determining the navigable character of the river it is proper to consider its feasibility for interstate use after reasonable improvements.

The commission also noted that included in "navigable waters" under § 3(8) of the Federal Power Act, are those that have been recommended to Congress for improvement after investigation under its authority. The commission said it need not decide the question whether the constitutional sources of control of navigation are limited to the Commerce Clause or are derived also from the treaty-making power, for the commission is subject to the definition in § 3(8), "undoubtedly constitutional in view of its consideration in the New River case." It had been noted by the presiding examiner that in the summer of 1825 the Secretary of War had caused a study of a development to be made and had transmitted a report to Congress setting forth recommendations as to improvements. The fact that there was such a recommendation for improvements, said the commission, served to bring the Clyde river within the navigable category as defined in the statute.

Contrary View

Commissioner Kline disagreed with the commission, stating that the majority had chosen to draw inference after inference as to commercial uses which "could be," "could have," or "probably" existed on the stream. He said that although never tried, the majority saw no reason why logs "could not have been" floated to non-existent foreign mills and sold outside of Vermont. The smallest pleasure boats "could be" commercial carriers to the lake. He said that "such tenuous conclusions might properly have been drawn by the examiner, who actually heard the testimony," but he did not make such findings. *Re Citizens Utilities Co. Opinion No. 318, Docket Nos. E-6716, E-6760, February 16, 1959.*

Issuance of Holding Company Bonds for Temporary Financing of Subsidiary Disapproved

THE Securities and Exchange Commission disapproved a holding company's proposal to issue and sell 25-year collateral trust bonds for the purpose of making a temporary advance to one subsidiary and for investing the repaid advance in two other subsidiaries. Security for the proposed bonds would be the holding company's ownership of common stock of its three direct subsidiaries. Originally the funds would be advanced to the subsidiary to enable it to comply with a divestment order under § 11(b) of the Holding Company Act. These funds would be paid back within two years, and the holding company then would invest the funds in two other subsidiaries.

The holding company's three direct subsidiaries have substantial amounts of senior securities outstanding. Their long-term debt represents 41.9 per cent of total system capitalization and surplus, and their outstanding preferred stock represented an additional 10.9 per cent of such capitalization. The collateral trust bonds would be junior to both the debt and the preferred stock of the subsidiaries. The pledge of their common stock as collateral for the bonds would do nothing to improve this status. The commission concluded that the proposed collateral was not of a type and character appropriate in the public interest or for the protection of investors as a basis for the issuance of the proposed bonds.

Urgent and Necesssary Corporate Purpose

The commission next considered whether the bonds would come within the exception of § 7(c)(1) provided by § 7(c)(2)(A) of the Holding Company Act. It concluded that there was no necessity for the issuance of 25-year bonds to permit the making of such a temporary advance and that the proposed bonds would not be issued and sold solely for the purpose of enabling one subsidiary to comply with the holding company divestment order.

Alluding to the fact that the holding company proposed to invest the repaid funds in common stock of its subsidiaries, the commission observed that there was no showing that the subsidiaries could not obtain the greater part, and perhaps all, of the funds themselves by the issuance of permanent senior securities or of short-term bank loans which would subsequently be replaced by permanent securities.

Furthermore, the commission believed

that the issuance by the holding company of common stock would, taken by itself, not constitute an unreasonable financial burden. It said that it is inherent in the parent - subsidiary relationship that the parent bear the burden of supplying the common stock equity needed by its subsidiaries. In the absence of special circumstances the issue and sale of common stock by the parent to raise such capital must be regarded as a normal and not an unreasonable burden. Therefore, it concluded that there was no present or imminent hardship to the holding company arising from the requirements of § 7(c)(1) of the act which would justify approval of the issuance of the proposed bonds on the basis of § 7(c)(2)(D).

Reorganization Purposes

The commission also concluded that the bonds were not being issued solely to effect a corporate reorganization in view of the fact that upon repayment of the funds within two years they would be used by the holding company for investment in its other subsidiaries. The holding company claimed that the bond issue would be solely for the purpose of effecting a reorganization to the extent that it would offset reduction in bonds of a subsidiary in connection with divestment of the subsidiary's gas properties pursuant to the earlier simplification order. The commission rejected this argument, however, upon finding that the amount of bonds previously permitted to be issued by the holding company as part of the plan for compliance with the divestment order exceeded the amount of such reduction.

The commission also disagreed with the holding company's argument that its choice of a bond financing was a matter within the area of managerial discretion which should not be disturbed. It held that its statutory duty is to determine whether the exercise of managerial discretion conforms to the applicable standards of the act and that such exercise is to be restrained if management proposes to issue securities not conforming to the standards presented by § 7. *Re Eastern Utilities Associates et al. File No. 70-3565, Release No. 13886, December 15, 1958.*

Subsidiary Gas Company Acquires Pipeline Facilities

THE Securities and Exchange Commission authorized Columbia Gulf Transmission Company, a newly organized subsidiary of Columbia Gas System, Inc., a registered holding company, to acquire substantially all of the assets of Gulf Interstate Gas Company, a natural gas pipeline company, in exchange for shares of the common stock of the holding company and the assumption by the subsidiary of the liabilities of Gulf Interstate.

The commission concluded that the acquisition would not be detrimental to the carrying out of the provisions of § 11(b)(1) of the Holding Company Act. The pipeline facilities were employed to transport natural gas produced or purchased by the holding company system from its source of supply to the system's retail distribution properties, thereby bridging the gap between the source of supply and the ultimate gas consumer.

Effect upon Capitalization

The shares of Columbia's common stock required by Columbia Gulf for delivery to Gulf Interstate would be obtained by Columbia Gulf through its issu-

ance and sale to Columbia of shares of its own common stock. Thus, Columbia's acquisition of the common stock of Columbia Gulf would add to the holding company system a company with a substantial amount of publicly held first mortgage bonds. This would result in a departure from the holding company system's policy of having its publicly held securities solely at the holding company level.

Columbia recognized this but asserted that it was not financially feasible, under the present state of the market, for it to refinance all of the debt to be assumed by the issuance of its own debt securities.

This pyramiding of system securities was one of the evils the Holding Company Act was designed to prevent. The commission concluded, however, that under the circumstances of the case it was not required to make adverse findings. Columbia, the holding company, advised the commission that it intended to proceed diligently to take appropriate steps under the standards of the act to eliminate this complication within one year after the date of the entry of the commission's order approving the proposed transaction.

If Columbia should fail to eliminate this complexity within the one-year period, the commission has the power, under § 11(b)(2) of the act, to institute a proceeding to determine whether there exists any undue or unnecessary complexity in the corporate structure of the holding company system, and, if so, to require its elimination.

The commission also approved the issue and sale by the holding company of its own common stock in exchange for common stock of the newly created subsidiary. It found that the holding company's common stock has a par value and represents its sole voting security, thus satisfying the provisions of § 7(c)(1)(A) of the act.

The commission also found that compliance with competitive bidding requirements was not necessary or appropriate in this case for the protection of investors or consumers to assure the receipt of adequate consideration or the reasonableness of the fees or commissions to be paid with respect to such exchange. *Re Columbia Gulf Transmission Co. et al. File No. 70-3719, Release No. 13893, December 23, 1958.*

Refusal of Improvements to Benefit One Customer Upheld

THE Pennsylvania superior court ruled that the state commission had properly refused to require the Dallastown-Yoe Water Company to make substantial system improvements necessary to provide increased pressure and water supply for fire protection to an industrial customer. Although the benefits from such improvements would inure chiefly to the industrial customer, it had declined to participate in the cost of construction. The commission justly took this fact into consideration in determining the reasonableness and adequacy of the existing service, said the court. It appeared, moreover, that the consumer could, itself, provide facilities in its own plant to secure the service it desired.

Evidentiary Basis of Order

The commission did not err in giving little or no weight to evidence tending to show that an unusually large fire had occurred in the company's service territory,

with such unusual water requirements that a water shortage resulted. Nor was the commission bound to accept as the criterion of reasonable service the standards for fire protection as fixed by fire underwriters.

It was justified in accepting the testimony of an expert witness for the water company who, setting forth available pressures and quantities, considered the service adequate. Such pressures and quantities, in fact, closely approached the optimum conditions called for by the fire underwriters.

The court recognized that the making of repairs and improvements to meet the duty to render reasonable and adequate service is not necessarily dependent on the profit which may be expected from the new facilities, and that in proper cases improvements may be ordered even though the immediate result would be a financial loss to the utility. But a utility rendering reasonably adequate service, as in this case, should not be subjected to unreasonable expenditures, or the consuming public unduly burdened because of extraordinary demands of one customer. *Colonial Products Co. v. Pennsylvania Pub. Utility Commission, 146 A2d 657.*

Heating Rate Doubled

NORTHERN STATES POWER COMPANY has obtained authority from the Wisconsin commission to increase rates about 100 per cent for steam heating at Hudson, together with a substantial increase for hot-water heating at La Crosse. Although the commission was reluctant to authorize a 100 per cent increase, it found the proposed rates necessary in view of the company's heavy deficit in this heating operation.

Nearly 90 per cent of the increase was needed to meet the costs of operation, exclusive of an income tax or rate of return component. For a number of years the company has sustained substantial losses on its heating service in both localities. The new rates will result in a rate of return of 5.28 per cent in Hudson and 6 per cent in La Crosse, using a book value rate base.

Offset to Tax Accruals

The company's annual expenses for maintenance of structures and improvements have varied over the past five-years between a low of about $500 to a high of nearly $7,000. An average for the five-year period was adopted as a normal maintenance figure for the purposes of this proceeding. An allowance for working capital was granted even though it was unadjusted for income tax accruals, since no claim was made for materials and supplies. Adjustments for the two items would substantially offset one another.

Upon an attempt by consumers to show, by comparison between the Hudson operation and another municipal heating utility in another city, that the company had not exercised good managerial judgment, the commission pointed out that comparisons, such as this, are of little value in a rate proceeding unless the plants being compared and their conditions of operation are similar.

Noting that no practical metering arrangement has been devised for hot-water heating, the commission approved the proposed charge based on square feet of radiation. This method appears to offer the least amount of discrimination, it was observed. *Re Northern States Power Co. 2-U-5025, January 9, 1959.*

Customer Contribution Discriminatory

THE Wisconsin commission held that an electric company was required to extend central steam-heating service to an applicant located within its filed service area. The company had obligated itself to serve all persons desiring service whose property abutted the sidewalk.

One of the three original buildings purchased by the applicant did abut the sidewalk, but had been razed to furnish parking space. There was an interconnecting basement to all three buildings and a portion of the basement was still in existence. The actual aboveground-level building was about 100 feet from the sidewalk line. The company claimed that the peculiar location would greatly increase the cost, which necessitated customer contribution.

The fact that the company's plant is inadequate to supply service to the applicant furnishes no excuse for the assessment, said the commission. The obligation to render service within the area of undertaking includes the element that such service be furnished impartially and without unjust discrimination. Since no customer within the area had previously been required to contribute, it would constitute unjust discrimination to impose such requirement upon the applicant. *Epstein v. Wisconsin Electric Power Co. 2-U-5057, February 3, 1959.*

Transfer of Service Area Denied

THE Missouri commission denied a petition by residents of a boundary area for a mandatory transfer of a part of the service territory of one telephone company to that of another company. The company serving the area had previously filed a service territory map which included the area in question. It had also undertaken a substantial improvement program pursuant to requests for service in the area, including requests by most of the petitioning residents.

Service area maps are binding alike upon the telephone company, the public, and the commission unless and until such maps are found, after hearing, to be arbitrary and unreasonable. Nothing appeared arbitrary or unreasonable about the map filed in this case. *Re Lester et al. Case No. 13,990, December 23, 1958.*

Gas Certificates of Limited Duration

THE Federal Power Commission has again pointed out that it will not grant natural gas producer certificates of limited duration to conform to sales contracts, in the absence of a showing that the public convenience and necessity require such limitation. Unlimited certificates were granted.

In determining whether the public convenience and necessity require a certificate of limited term, it is essential to take into account the implications of the policies embodied in the complementary provisions of § 7(b) of the Natural Gas Act, relating to abandonment, said the commission. The statute should be interpreted as a whole so as to give effect to its interrelated provisions and purposes. *Re Sunray Mid-Continent Oil Co. Docket Nos. G-2975 et al. December 15, 1958.*

Request for Extended Service Study Denied

THE California commission, in an interim order, denied a petition requesting that a telephone company be directed to make an extended service study. The commission agreed with the company that, since the last such study, the situation had not changed sufficiently as to population growth or increased community of interest to warrant the expense of another study. A proper and adequate study of the need for extended service in the area, pointed out the commission, would have to cover a complete central office in the area embraced by connecting wires and instruments. This meant that the study would cover an area much greater than that represented by the complaint. As areas adjacent to metropolitan centers grow, said the commission, the policy in the state has been to make extended service available. However, the evidence did not show sufficient development in the instant case to warrant extended service or a present need for a new study. *Arlington Heights Home Owners Asso. v. Pacific Teleph. & Teleg. Co. et al. Decision No. 57936, Case No. 6087, January 27, 1959.*

Circular Zone Taxicab System Rejected

THE District of Columbia commission denied a proposal of two individuals to replace the fixed-boundary taxicab zone system, presently operating in the District of Columbia, with a mileage rate based on a uniform circular zone system. In lieu of the zone boundary map now authorized, the proposed system would require one, and probably two, highly detailed scale maps of the District. Fares would be determined by applying a measuring device to the maps.

The commission thought the new system would be too complex and cumbersome to satisfactorily replace the present simple and fair system of uniform zones. Because the system would be incapable of precise determination, it would probably lead to innumerable rate disputes between driver and passenger, a situation to be avoided if at all possible, the commission observed. Disputes might seriously impede the flow of traffic during rush hours. Although no definite rate schedule was submitted, it appeared to the commission that the proposed plan would actually result in taxicab rate increases in the District. Furthermore, any mileage rate would violate the intent and spirit of a congressional prohibition against taxicab meters, it was pointed out. *Re Schlaifer et al. PUC No. 2942/208, January 16, 1959.*

Other Recent Rulings

Transit Company Rates. The Wisconsin commission authorized a transit company to increase rates so as to produce an operating ratio of 93.33 per cent, a return of 7.28 per cent on net investment in transportation property, and a return of 8.13 per cent on net capitalization and surplus. *Re Milwaukee & S. Transport Corp. MC-1616, 2-SR-3404, January 5, 1959.*

Nebulous Expense. The California commission disallowed a water company's

request for an increased amount for salaries in order to offset the existing unfavorable ratio of wages for its employees compared with those of other workers and to allow for the hiring of one additional employee, with the comment that inclusion of any amount in operating expenses for such a nebulous possibility is improper. *Re Del Este Water Co. Decision No. 57821, Application No. 40144, January 6, 1959.*

Remand to FCC. The U. S. court of appeals remanded a Federal Communications Commission award of a television channel for an evidentiary hearing with respect to whether a commissioner who had participated but who had since resigned had unduly influenced the award, where public charges had been made in the course of a congressional investigation and individuals associated with the mutually exclusive applicants had conferred with that commissioner. *Massachusetts Bay Telecasters, Inc. v. Federal Communications Commission, 261 F2d 55.*

Time Limitation. The U. S. district court held that, in an action by the federal government against a railroad to recover alleged overcharges, the two-year limitation in the Interstate Commerce Act is applicable, not the six-year limitation imposed in the Tucker Act. *United States v. DeQueen & E. R. Co. 167 F Supp 545.*

Payment of Refunds. The California district court of appeals held that the payment of refunds by a carrier, absent fraud or collusion, is not against public policy or sound morals. *Southern P. Co. v. Fish et al. 333 P2d 133.*

Lawful Rate Collectible. The St. Louis court of appeals held that a railroad was entitled to a judgment against a buyer for additional freight charges due under the lawful freight rate, where, if the buyer would have prevailed on the theory of either a legal defense, equitable estoppel, or counterclaim, the net result would have been to discharge the buyer's liability to pay, and would have relieved the railroad from collecting the balance due, a result which is not permissible under the Interstate Commerce Act. *Wabash R. Co. v. Berg, 318 SW2d 504.*

Intrastate Telegraph Rates. The Utah commission authorized Western Union to increase intrastate rates to the level of interstate rates as requested, where it appeared that the new rates would merely offset additional costs and would not even produce a fair rate of return. *Re The Western Union Teleg. Co. Case No. 4666, October 8, 1958.*

Trust Fund for Refund. In lieu of filing a corporate surety bond to insure the payment of any refunds that may be required upon final determination of rate increases for two individual natural gas producers, the Federal Power Commission authorized the establishment of a trust fund. *Re Kidd et al. Docket No. G-12766, December 15, 1958.*

Pipeline Service Abandoned. The Federal Power Commission authorized Panhandle Eastern Pipe Line Company to abandon service to Michigan Consolidated Gas Company on the ground that the public convenience and necessity permitted such abandonment, it appearing that other customers of Panhandle had greater need of the gas involved than Michigan Consolidated and that the latter could be otherwise supplied, though somewhat more expensively. *Re American Louisiana Pipe Line Co. Docket Nos. G-10396 et al. December 19, 1958.*

Stations Dualized. The Kansas commission authorized a railroad to combine or dualize certain station agencies by the operation of two agencies with one agent where public convenience and necessity did not require the services of a full-time agent at each station and the cumulative duties at two stations did not exceed the time required for one agent to perform such duties at both stations and still render adequate service to the public. *Re Missouri P. R. Co. Docket No. 57,869-R, December 17, 1958.*

Refund Settlement Approved. The Federal Power Commission approved a refund settlement agreement between Colorado Interstate Gas Company and its jurisdictional customers whereby refunds would be paid by the pipeline company on rates put into effect over a four-year period subject to refund if not finally found to be justified, such refunds resulting in a consolidated rate of return of 5.23 per cent to the pipeline during the refund years. *Re Colorado Interstate Gas Co. Docket Nos. G-2260 et al. December 30, 1958.*

Electric Rate of Return. In granting rate increases to two electric utilities, the Wisconsin commission considered reasonable a rate of return of 6 per cent on book value rate bases. *Re City of Brodhead, 2-U-5022, January 7, 1959; Re Evansville Municipal Electric Utility, 2-U-5077, January 13, 1959.*

Water Company Return. The Missouri commission approved increased water rates which would produce a return of 6.26 per cent on net original cost and 3.62 per cent on reproduction cost new less depreciation. *Re Consolidated Water Corp. Case No. 14,001, January 14, 1959.*

Suspension of Authority. The California commission suspended a radial highway common carrier's authority for twelve consecutive days where it was shown that the carrier had violated statutes by charging and collecting less than the minimum rates established by the commission. *Re Jeter, Decision No. 57923, Case No. 6165, January 27, 1959.*

Return on Net Plant. The Nebraska commission considered a return of 6.47 per cent on a telephone company's net plant rate base reasonable. *Re Panhandle Teleph. Co., Inc. Application No. 21618, January 19, 1959.*

Telephone Return. The Massachusetts commission approved increased telephone rates which would produce a return of 5.96 per cent on the end-of-period rate base and 6.35 per cent on the average rate base. *Re Columbia & R. Teleph. Corp. DPU 12694, February 3, 1959.*

Capital Amortization. A telephone company's total requirements in connection with conversion to dial operation were directed by the Illinois commission to be charged directly to the "Extraordinary Maintenance and Retirements Account" and the amounts so charged amortized to operating expenses over a period of not less than ten years. *Re Grafton Teleph. Co. No. 45511, February 3, 1959.*

Reasonable Telephone Return. The Nebraska commission considered a return of 6.75 per cent on a telephone company's original cost rate base, and a return of 4.74 per cent on the company's current value rate base, reasonable. *Re General Teleph. Co. of Nebraska, Application No. 21504, February 4, 1959.*

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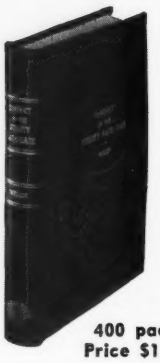

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Industrial Progress

Vepco Plans $53,000,000 Program

E Board of Directors of the Vir- Electric and Power Company approved a 1959 construction get of $53,000,000.

epco President A. H. McDowell, said that the largest items in this 's budget are for completion of additions to the company's Ches- eld and Portsmouth power sta- s.

Ir. McDowell said the construc- program this year includes such or items as $24,662,000 for gen- ing facilities; $1,477,000 for serv- buildings, shops and storerooms, uding major equipment; $9,160,- for electric transmission and dis- ution systems; and $2,236,000 for ns, production equipment and ice facilities for gas operations on Peninsula and at Norfolk.

f the money allocated for gener- facilities, $4,820,000 will be t on the Portsmouth plant and 600,000 will be spent on the Ches- eld plant. The Portsmouth addi- , constructed at a cost of $21,500,- is expected to be completed late spring. The Chesterfield addition xpected to be completed about the dle of next year at a cost of $22,- 000. Each of these additions will e a name plate rating of 170,000 watts.

hen the new units are installed at e stations, the combined genera- of the two plants will be raised gh to light a city with more than 0,000 population.

ompletion of the Portsmouth Chesterfield units will increase co's system capacity to approxi- ly 2,000,000 kilowatts in 1960. present capacity is more than 0,000 kilowatts.

wo new units were added to the co system last year. A new unit added to the Bremo power sta- tion, near Charlottesville, and a similar unit was added to Yorktown. These units, representing a total investment of more than $41,500,000, each have a name plate rating capacity of 170,000 kilowatts.

Mr. McDowell said about $26,002,000 in the new construction budget will be spent for electric distribution and transmission lines, substations, storerooms, buildings and equipment and service facilities.

Allocations for construction in connection with gas operations are approximately $2,236,000. Of this amount, $630,000 is allocated for the Newport News-Hampton system and $1,606,000 for the Norfolk area system.

Earlier this year, Vepco opened a new Southern Division Headquarters Building at Williamston, N. C. at a cost of more than $240,000. A new Western Division Headquarters Building is under construction at Charlottesville and is expected to be completed in July.

Vepco's construction budgets of $70,000,000 both in 1957 and 1958, were the highest budgets in the company's history.

"POGO", New Automatic Programming System Announced by Bendix

POGO is the name given by Bendix Computer Division to a new automatic programming system for its Model G-15 digital computer. According to the manufacturer, by using POGO, highly efficient computer programs can be written by personnel with relatively little computer experience. The letters in the name stand for "program optimizer for G-15 operaticns", aptly describing POGO's function.

The manufacturer states that by using a set of simplified, easy to learn computer instructions, the programmer can write a POGO program with a minimum of effort. When these instructions are fed into the computer, the machine takes over and automatically rewrites the program in its own efficient machine language instructions. Then it selects the ideal memory location in which to store each instruction, so that processing time will not be wasted in finding the instructions when the finished program is used to solve a problem.

Once the computer is finished with its rewriting task, the original simplified program can be forgotten. The computer punches its fast, optimized product into paper tape, which can be fed back to the computer at any time that that particular problem needs to be solved. Thus, with a minimum of programming skill, the programmer quickly prepares a program that would take many times as long to write manually in the computer's own language.

POGO is described more completely in the two page bulletin AR-118, available from the Bendix Computer Division, 5630 Arbor Vitae street, Los Angeles 45, California.

Brochure Describes Operations Of Gustav Hirsch Organization

THE Gustav Hirsch Organization, Columbus, globe-girdling electrical and communications firm, has produced an illustrated 16-page, two-color brochure detailing its jungle-to-icecap operation.

Milton Staub, president of the firm, said the brochure outlines the organization's history, growth, techniques and capability in all types of electrical and communications installation under all conditions.

The brochure covers the United States operation, including Alaska, on such varied assignments as super highways, educational and public institutions and power plant construction. On the foreign scene, the bro-

(*Continued on page 22*)

chure highlights projects in Spain, Puerto Rico, Trinidad, Panama Canal Zone, Brazil, Antigua, Santa Lucia and the Philippine Islands.

Draketown Inaugurates Inspection Service

DRAKE & Townsend, Inc., has announced the organization of the Draketown LP-Gas Plant Inspection Service specializing in a system of inspection procedures for all types of LP-Gas Plants.

Recent changes in NFPA and Pamphlets 58 & 59 have set new regulations for the safe and efficient operation of LP-Gas Plants which were not designed into plants constructed prior to 1957. Draketown Inspection Service will also enable plant owners to comply with insurance carrier requirements in order to maintain present rates.

The Drake & Townsend organization is devoted exclusively to the design, engineering, construction and service of LP-Gas Plants in the U. S., Canada and overseas.

For further information, write Drake & Townsend, Inc., 11 West 42nd street, New York 36, N. Y. In Canada, Draketown-James in Calgary, Alberta, and Toronto, Ontario.

Mobile Vans Demonstrate Aluminum Conduit

TWO mobile vans for bringing door-to-door demonstrations on handling aluminum conduit to electrical contractors, distributors, utilities, plant electrical groups and special meetings have been placed in operation by Kaiser Aluminum & Chemical Sales, Inc.

The demonstration trucks are equipped with all tools and supplies necessary for cutting, bending and threading aluminum rigid conduit in standard sizes ranging from ½-inch through 6-inches. Inside displays feature conduit fittings and accessories manufactured by well-known firms such as Thomas & Betts, Burndy, Crouse Hinds, Adalet, Appleton, Toledo Pipe and Killark. Additional displays include aluminum building wire terminals and connectors, and samples of Kaiser Aluminum electrical products.

"The vehicles are being operated by specialists who are qualified to give complete instructions on the best installation procedures for aluminum rigid conduit," states Gillette N. Houck, manager of promotion and technical development of the company's Electrical Conductor Division. "There is a large potential market for aluminum conduit but it is vitally necessary at this point to make available practical information about the product before that potential can be realized."

Kaiser Aluminum just recently entered the conduit business with a U.L. approved line of standard diameter sizes in 10-foot lengths, along with aluminum conduit couplings and 90 degree elbows. Mr. Houck points out that the current market for steel conduit exceeds 800 million pounds annually. "Today's prices for aluminum conduit are directly competitive with steel, and because it is one-third the weight of steel, aluminum conduit has a lower installed cost in the majority of instances.

"For these reasons," Mr. Houck continues, "we expect aluminum to command as much as 75 per cent of the conduit market by 1965. This depends, of course, upon the success of aluminum conduit manufacturers in promoting the product, and more importantly, in getting information on its advantages and proper handling to the electrical industry. Our conduit vans were conceived for that purpose and we plan to equip others later on so that demonstrations can be given in all parts of the country. The first two are serving in an area covering a dozen eastern and midwestern states."

Past objections to the use of aluminum rigid conduit are no longer valid, according to Mr. Houck. "Just a few years ago, aluminum conduit was as much as 75 per cent more expensive than steel. Now, particularly in sizes exceeding 1¼-inches, the installed cost of aluminum is less, and often substantially so."

Reliance 75th Anniversary

THE Reliance Gauge Column Company, Cleveland, Ohio, celebrates its seventy-fifth year during 1959. Continuously since 1884, this company has produced water columns, water level gages and other equipment designed to aid steam power plant operators in keeping a safe check on water levels in boilers and other vessels.

Reliance was the originator of the "alarm" water column (patented 1884) embodying a mechanism for releasing steam to a warning whistle when the boiler water approached dangerously low or high levels.

R-R Booklet Describes Synchro-Tape Typewriter

PUBLICATION of a new boo entitled "How Can You Improve Y Company's Competitive Positio has just been announced by Rem ton Rand Division of Sperry R Corp. It illustrates and explains the new electronic Synchro-Tape t writer opens new fountain eads management information while r ing office methods automati

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G-E Power Transformers Have Improved FOA Cool

IMPROVED coolers are being on General Electric's forced cooled power transformers. The pany has announced that:

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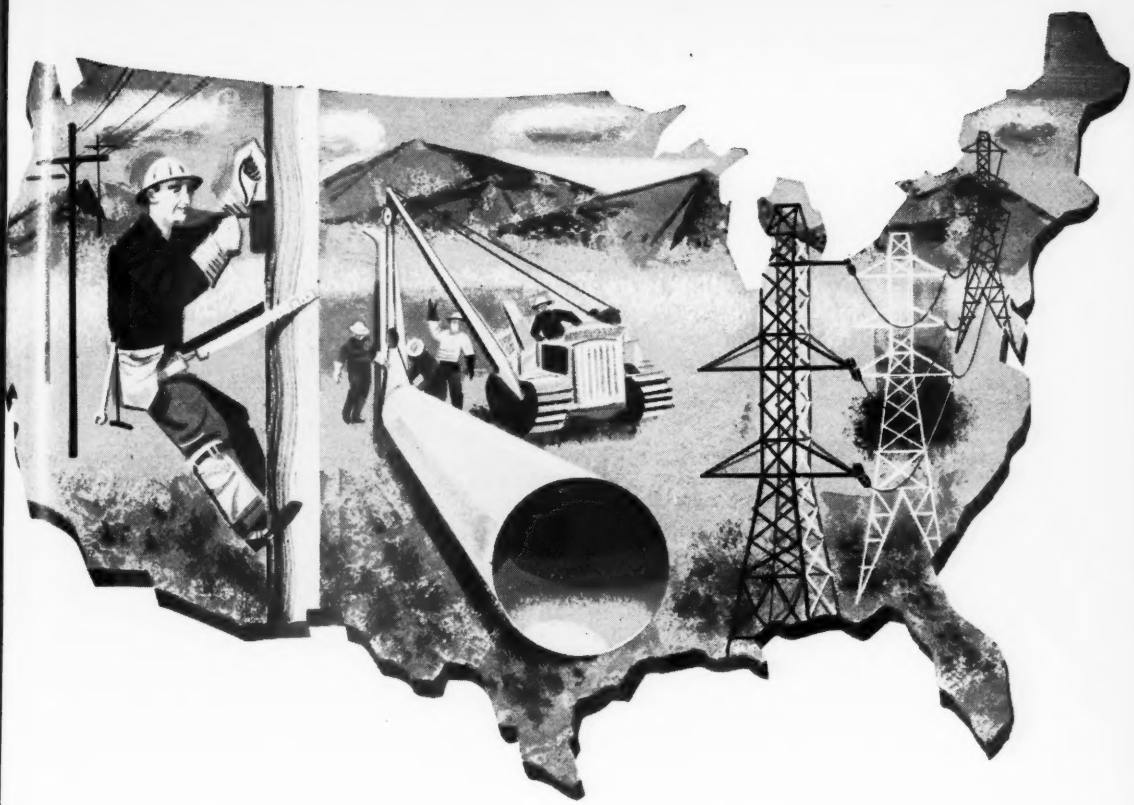
2. The coolers use quieter fans are designed to prevent air recir tion.

The oil pump, G-E engineers plained, was previously located a the oil-to-air heat exchanger, near transformer tank cover. Recent search has shown that the pump' cation could be changed without ing positive pressure in the heat changer.

An improved fan, which is sl and quieter yet moves more air the former type, is now being u New louvers in front of each fa

(*Continued on page* 24)



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rect cooling air upward, away from the tank, and help prevent air recirculation.

Central Hudson Gas & Elec. Plans $15,217,000 Program

A CONSTRUCTION budget of $15,217,000 for 1959 with almost half of the funds earmarked for completion of Unit No. 3 at Danskammer Point steam station was approved recently by the Board of Managers and the Board of Directors of the Central Hudson Gas and Electric Corporation, Poughkeepsie, New York.

Approximately $7,500,000 has been budgeted for the completion of the new generating unit at Danskammer. The project, which was started in March 1957, represents an investment of approximately $26,500,000 in the 1957, 1958 and 1959 construction budgets. The new unit will have a net capability up to 138,000 kilowatts and will bring the steam station's total capability up to 278,000 kilowatts.

The remaining expenditure in the 1959 budget, $7,718,000, is earmarked for expansion and reinforcement of gas and electric facilities and company properties and is just slightly less than the 1958 expenditures for these purposes.

No Indication that D-C Will Replace A-C in Overhead Transmission of Power

STUDIES indicate that d-c overhead transmission will not be used economically "to any extent" in the U. S., the Winter General Meeting of the American Institute of Electrical Engineers was told recently.

In a paper, "An Economic Study of D-C Versus A-C Overhead Transmission", A. J. Wood, S. B. Crary and C. Concordia of the General Electric Co., Schenectady, N. Y. said:

"The value of d-c station investment cost which may be realized is the major determining factor in any economic comparison of a-c versus d-c power transmission. Even with the most optimistic terminal equipment cost estimates based on published work of various European investigators, it does not appear that d-c overhead transmission will be utilized economically to any extent in the United States."

The authors explained that the capabilities and economics of a d-c overhead power transmission system are such that it is suited for the long distance transmission of large blocks of power. For the estimated investment costs which might be realized after a period of development in the U. S., they said, a minimum of approximately 350 miles is required to overcome the economic advantage of the presently available a-c systems.

Advantages of d-c transmission were listed as lower line costs, flexibility of an asynchronous tie and the high circuit loadings possible. A-c advantages are the probable lower terminal equipment costs, inherent flexibility and proven reliability of a-c systems and equipment.

A study of the economics of conductor sizes, for d-c overhead transmission, they stated, indicates that relatively large conductors would be required in order to insure a reasonable power transmission efficiency and line voltage drop.

The same general economic findings revealed in the study of overhead transmission would apply to the application of d-c in place of a-c in underground transmission, the paper concluded.

$30,000,000 Program Planned By Carolina Pwr. & Lt.

A 1959 CONSTRUCTION budget of $30,000,000 was approved recently by directors of Carolina Power & Light Company.

Louis V. Sutton, president and chairman of the board, explained that this amount will be used for construction of generating, transmission, distribution, and related facilities in the two-state area served by CP&L.

Construction is on schedule at the Company's new steam-electric generating plant site in Darlington county, S. C., and the initial unit of 250,000 horsepower is due for completion by the middle of next year. Ground was broken for this plant last May. Construction of an additional 33,000-horsepower hydro-electric generating unit has been started at the Tillery hydroelectric generating plant, and this unit should be ready for operation in mid-1961.

CP&L also continues to give financial and technical assistance to the Carolinas Virginia Nuclear Power Associates in the development of an atomic power plant at Parr Shoals, S. C. The nuclear-fired plant is expected to go into service in mid-1962. It will be the first of its kind in the Southeast.

CP&L's 1959 construction budget will bring to $255,000,000 the amount spent for new facilities since Wo War II. From 1946 through 19 nine major steam-electric generati units were built, adding over a milli horsepower to the company's gener ing capability. Transmission and d tribution facilities also have been e panded to serve CP&L custome who numbered 408,000 at the end 1958.

Studebaker-Packard Separate Fleet and Truck Sales Depts

SEPARATION of Studebaker-Pac ard Corporation fleet and truck sa departments as the result of stead increasing sales has been announc by S. A. Skillman, S-P vice preside and general sales manager.

A. E. Fitzpatrick is manager of t fleet sales department. His staff i cludes J. L. Duncan, assistant ma ager, and J. S. Moulder, sales analy

Frank T. Corcoran has been a pointed manager of the truck sales d partment. Members of his staff a Earl L. Platt, Jr., assistant manag and Tom A. Cunningham, equipme and scheduling supervisor.

District fleet sales representativ and their headquarters are: Easter R. S. Law, New York, N. Y.; Mi west, W. P. Hendershot, Chicag Northwest, E. P. DeBerry, San Fra cisco; and Southwest, J. W. Garre Jr., Los Angeles. Additional distric and representatives will be announc in the near future.

Fleet and truck service departmen in each district are being expanded take care of increasing sales.

Fleet sales, excluding taxis, we 942 per cent greater during Nove ber, December and January as co pared with last year.

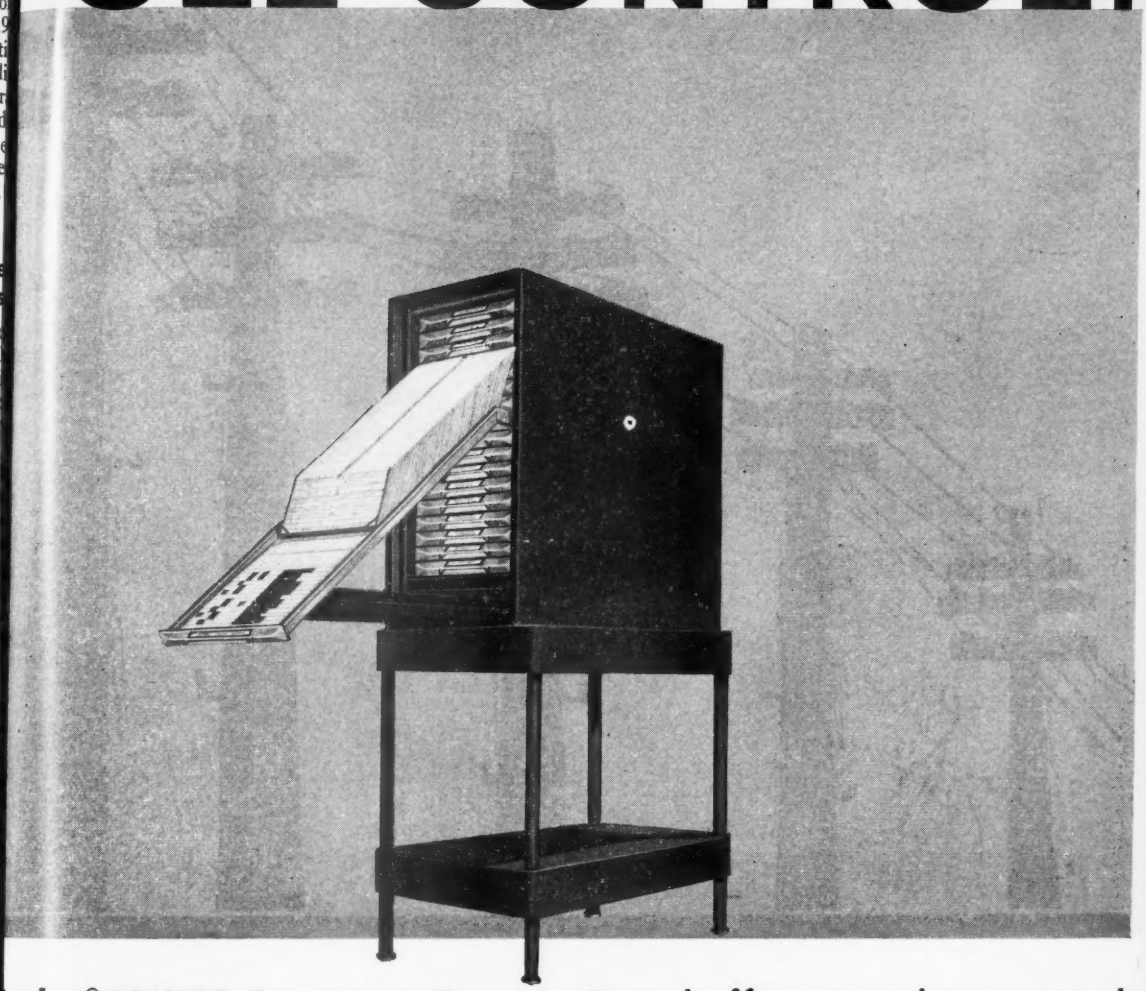
Skillman attributes phenomen fleet purchases of S-P's new Lark economy in cost and maintenanc high re-sale value, safety features, product meeting the demands of bu ers and traditional Studebaker craft manship.

Stone & Webster Engineering Awarded Contract On 225,00 Kw Station for New England Electric

STONE & Webster Engineerin Corporation has been awarded a co tract to participate in the design an to supervise construction of a ne 225,000 kilowatt power station i Somerset, near Fall River, Mass., fo

(*Continued on page* 28)

POLE CONTROL!



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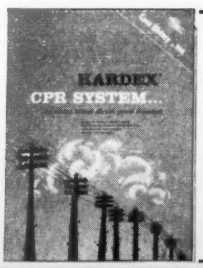

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the new England Electric System, it was announced recently.

Engineering work on Unit No. 1 of the new steam power station, to be located at Brayton Point on Lee river, is already under way, officials of Stone & Webster reported.

Stone & Webster, one of the largest engineering and construction organizations in the world, recently completed work on a new 150,000 kw generating unit at the Salem Harbor station of New England Electric.

Currently Stone & Webster engineers are working on the construction of the Yankee Atomic Electric Co. plant at Rowe, Mass., of which New England Electric is one of the ten sponsoring New England electric utilities.

Project engineer for Stone & Webster on the new Brayton Point station at Somerset is W. E. Hopkins, of the mechanical engineering division of Stone & Webster. H. N. McCampbell will be the Stone & Webster construction manager.

Chart Aids in Choosing Proper Silicon Charger for Stand-by Batteries

A CHART for determining the proper size and model of silicon-rectifier charger to be used with stand-by batteries has been published by Exide as part of a bulletin on its complete new line of this type of charging unit.

Tabulating information on 27 basic rectifier models, the chart enables the user to select chargers according to number of battery cells to be charged, output amperage and input voltage and phase. It also lists dimensions and weight of each model and specifies whether it can be mounted on a wall, rack or floor.

Copies of bulletin No. 6258 can be obtained from Exide Industrial Division, The Electric Storage Battery Company, Rising Sun and Adams Avenues, Philadelphia 20, Penna.

Booklet Available for New One-Man Trencher

THE ARPS Trench-Devil, Model M-A, a one-man-operated trencher for gas lines, water services, foundations, electrical and telephone cable, street lighting, and signal and sprinkler systems, is described in an illustrated 6 page bulletin.

Copies of the booklet may be obtained by writing direct to the Arps Corporation, New Holstein, Wisconsin.

R-R Catalog Describes Function of Univac

PUBLICATION of a new brochure describing the functions of Univac data processing equipment has just been announced by Remington Rand division of Sperry Rand Corp. It illustrates a broad range of basic data processing functions and shows the specific equipment to execute them.

This new brochure explains the techniques of processing unit facts—whether in punched cards, perforated paper tape, or magnetic tape. Once recorded in cards or tape, these facts can be used over and over again. They are processed automatically by high-speed equipment to prepare accounting or statistical reports.

Fifteen functions and the basic equipment which performs them are explained clearly and concisely in layman's language.

Peoples Gas System to Spend $45,000,000 in 1959

COMPANIES in the Peoples Gas System expect to spend $45,000,000 for construction purposes in 1959, Eskil I. Bjork, chairman of Peoples Gas, announced recently.

Nearly twice that amount was spent by the System in 1958 principally to complete an important large diameter pipeline expansion program.

The System, which has a peak day delivery capacity of one billion 734 million cubic feet, sells natural gas to customers in Chicago and to gas utilities in the Chicago metropolitan area and in six midwestern states.

Combustion Engineering Acquires General Nuclear Eng. Corp.

COMBUSTION Engineering, Inc., has acquired General Nuclear Engineering Corporation, a leading nuclear engineering and consulting firm headed by Dr. Walter H. Zinn, it was announced recently by Joseph V. Santry, chairman of Combustion. Mr. Santry also announced the election of Dr. Zinn as a vice president of Combustion and stated that he would be in charge of all the company's nuclear power activities. General Nuclear will be operated as a subsidiary of Combustion.

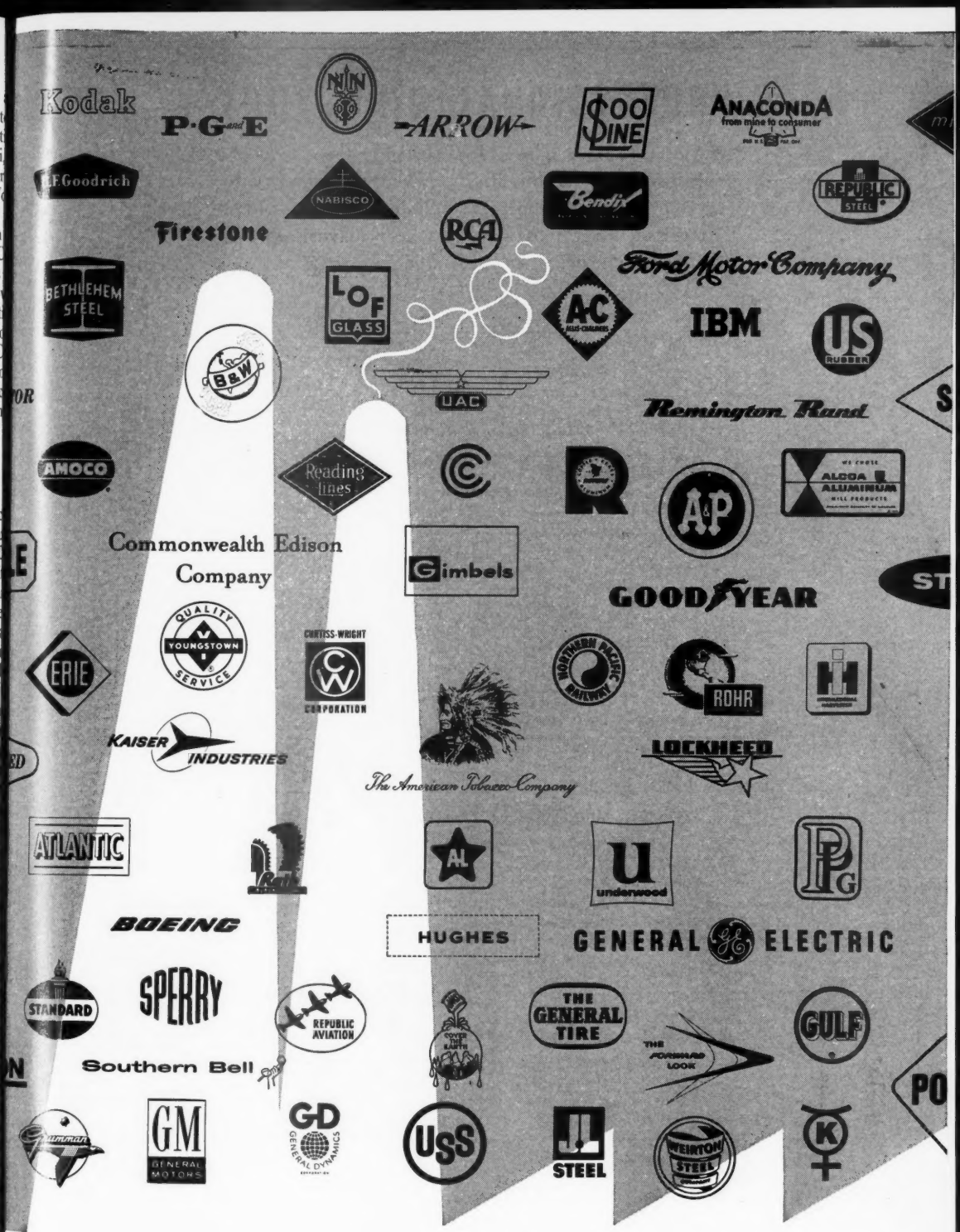
Dr. Zinn was the first director of the Atomic Energy Commission's Argonne National Laboratory. He served in that capacity from 1946 to 1956, resigning in the latter year to organize General Nuclear.

A pioneer in the designing [illegible] building of nuclear power react[illegible] Dr. Zinn supervised the construct[illegible] under the late Dr. Enrico Fermi the world's first nuclear reactor Stagg Field, Chicago, early in W[illegible] War II. He was a member of United States Delegations at both First and Second International C[illegible] ference on the Peaceful Uses Atomic Energy held in Geneva, S[illegible] zerland in 1955 and 1958 respect[illegible] ly. He is a member of the Nati[illegible] Academy of Sciences; Special C[illegible] sultant to the Joint Congressi[illegible] Committee on Atomic Energy; c[illegible] sultant to the Edison Electric In[illegible] tute and a director of the Atomic dustrial Forum.

Combustion, Mr. Santry stated, been active in the nuclear field more than twelve years and has a c[illegible] rent backlog of nuclear work amou[illegible] ing to approximately $50,000,[illegible] The company has extensive facili[illegible] for the design, development, ma[illegible] facture and testing of complete re[illegible] tor systems, including both light [illegible] heavy components. Its most nota[illegible] current contract involves a compl[illegible] reactor system for a submarine, prototype installation of which is n[illegible] nearing completion at the compan[illegible] Nuclear Division in Windsor, C[illegible] necticut. At its Chattanooga (Ten[illegible] Division, the company has produ[illegible] a large volume of heavy nuclear co[illegible] ponents including the reactor ves[illegible] for the country's first full-scale [illegible] clear power plant at Shippingp[illegible] Pennsylvania, and the reactor ves[illegible] for the world's largest fast-bree[illegible] nuclear power plant, now under c[illegible] struction by Power Reactor Develo[illegible] ment Company at Lagoona Bea[illegible] Michigan.

In late 1958 Combustion was cho[illegible] to participate in two important Ato[illegible] Energy Commission projects. T[illegible] first involves operation of the A[illegible] gonne Low Power Reactor at the N[illegible] tional Reactor Testing Station Arco, Idaho, as well as research a[illegible] development work to determine possibilities of increasing the e[illegible] ciency of this "package" nuclear pla[illegible] The second project, in which Comb[illegible] tion is serving as sub-contractor to [illegible] Stone & Webster Engineering C[illegible] poration, involves design and en[illegible] neering studies for an advanced, lar[illegible] scale, pressurized-water reactor.

"General Nuclear," said M[illegible] Santry, "has produced designs for n[illegible] clear reactors for all types of appli[illegible] tions."



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A

Abrams Aerial Survey Corporation 34
*Allen & Company .....
*Allis-Chalmers Manufacturing Company .....
American Appraisal Company, The 30
*AMP Incorporated .....
*Analysts Journal, The .....
*Anchor Metals, Inc. .....

B

*Babcock & Wilcox Company, The .....
Black & Veatch, Consulting Engineers 30
*Blyth & Company, Inc. .....
Boni, Watkins, Jason & Co., Inc. 30
Burns & McDonnell, Engineers 34

C

Carter, Earl L., Consulting Engineers 34
*Cleveland Trencher Company, The .....
Columbia Gas System, Inc., The ..... Outside Back Cover
Combustion Engineering, Inc. 14-15
Commonwealth Associates, Inc. 7
Commonwealth Services, Inc. 7
Consolidated Gas and Service Company 34

D

Day & Zimmermann, Inc., Engineers 30
*Delta-Star Electric Division, H. K. Porter Company, Inc.
Dodge Division of Chrysler Corp. 9
Drake & Townsend, Inc. 30

E

*Eastman Dillon, Union Securities & Company .....
*Ebasco Services Incorporated .....
Electro-Motive Division, General Motors 4-5
Empire Gas Engineering Company 31

F

*First Boston Corporation, The .....
*Fish Service Corporation .....
Ford, Bacon & Davis, Inc., Engineers 31
Foster Associates, Inc. 31
Francisco & Jacobus 31

G

Gannett Fleming, Corddry and Carpenter, Inc. 34
General Electric Company ..... Inside Front Cover, 26-27
Gibbs & Hill, Inc., Consulting Engineers 31
Gilbert Associates, Inc., Engineers 31
Gilman, W. C., & Company, Engineers 32
*Glore, Forgan & Company .....

H

*Halsey, Stuart & Company, Inc. .....
*Harnischfeger Corporation .....
*Harriman, Ripley & Company .....
Harza Engineering Company 32
Hirsch, Gustav, Organization, Inc. 32
Hoosier Engineering Company 32

I

*International Business Machines Corp. .....
International Engineering Company, Inc. 32
*International Harvester Company, The .....
Internuclear Company 34
Irving Trust Company 23

J

Jackson & Moreland, Inc., Engineers 35
Jensen, Bowen & Farrell, Engineers 32
*Justrite Mfg. Company .....

K

*Kellogg, M. W., Company, The .....
*Kerite Company, The .....
*Kidder, Peabody & Company .....
*Kuhn Loeb & Company .....
Kuljian Corporation, The 33

L

*Langley, W. C. & Co. .....
Leffler, William S., Engineers Associated 33
*Lehman Brothers .....
*Line Material Industries .....
*Loeb (Carl M.) Rhoades & Co. .....
Loftus, Peter F., Corporation 35
Lutz & May Company, Consulting Engineers 35

M

*Main, Chas. T., Inc., Engineers .....
*Marlow Pumps Division of Bell & Gossett Co. .....
McMahon, J. F., Associates, Inc. 35
*Merrill Lynch, Pierce, Fenner & Smith .....
Miner & Miner, Consulting Engineers 35
*Morgan Stanley & Company .....

N

National Association of Railroad & Utilities Commissioners 16
Newport News Shipbuilding & Dry Dock Company ..... Inside Back Cover

O

*Osmose Wood Preserving Co. of America, Inc. .....

P

Pioneer Service & Engineering Company 13, 33
Pittsburgh Testing Laboratory 35
*Plastics and Coal Chem. Div., Allied Chemical Corp. ...
*Porter, H. K. Company, Inc., Delta-Star Electric Division

R

Recording & Statistical Corporation 11
Remington Rand Div. of Sperry Rand Corp. 25
*Robertson, H. K., Company .....

S

Sanderson & Porter, Engineers 33
Sargent & Lundy, Engineers 19, 33
Schulman, A. S., Electric Co., Engineers 35
*Smith, Barney & Company .....
*Southern Pipe Coating Company .....
Stafford, R. W., Company, The Consultants 35
Standard Research Consultants, Inc. 33
Stone and Webster Engineering Corporation 34
*Studebaker-Packard Corporation .....
Sverdrup & Parcel, Engineers & Consultants 35

U

*United Steel Fabricators, Inc. .....

W

*Westinghouse Electric Corporation .....
White, J. G., Engineering Corp., The 34
*White, Weld & Co. .....
Whitman, Requardt and Associates 34
Williams, A. W., Inspection Co., Inc. 35

Professional Directory 30-35

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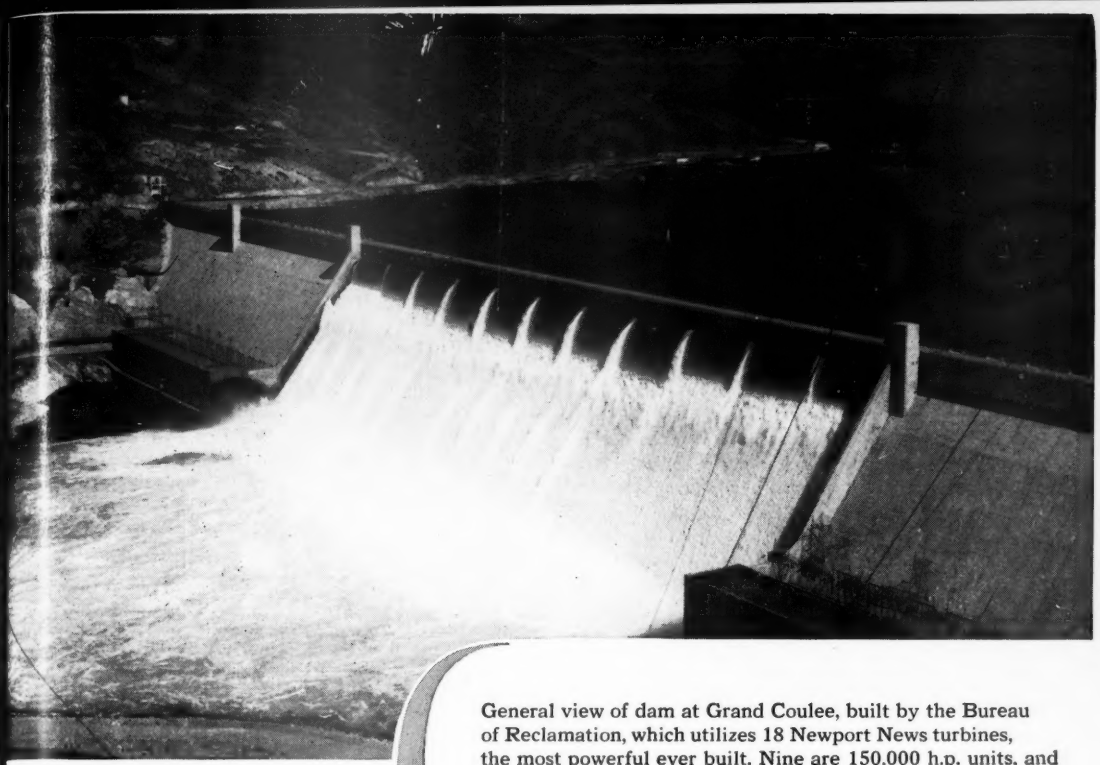

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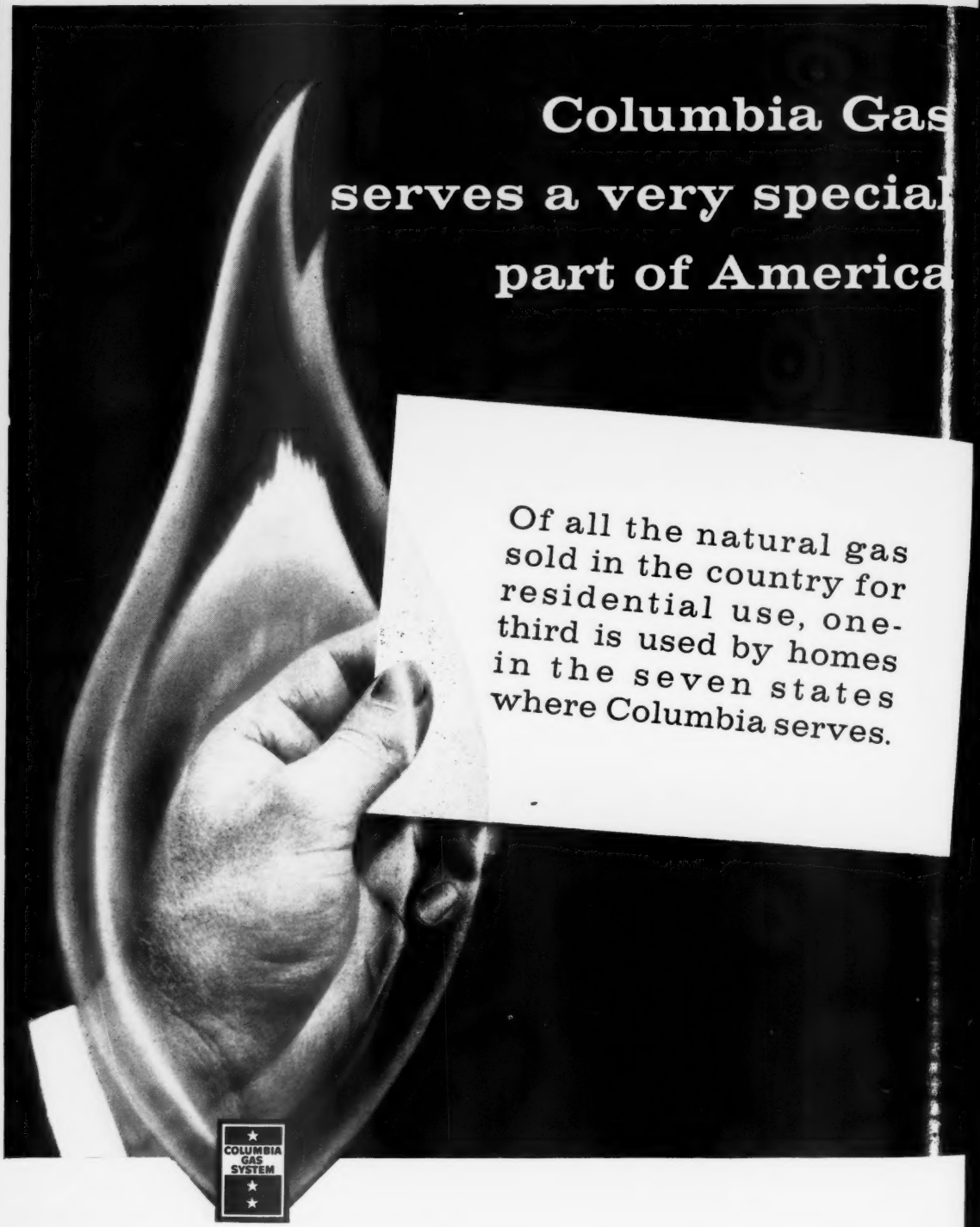
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